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Growing Wealth, Declining Power

PAUL M. SWEEZY

U.S. Military Strategy after Vietnam

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Chile

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NOTES FROM THE EDITORS

It is with profound sorrow that we record the death in an automobile accident on February 2 of our good friend Stephen Hymer at the age of 39. Professor of political economy at the New School for Social Research in New York, Steve was one of the few Marxist economists to hold a tenured position at one of the country's institutions of higher learning. A Canadian by birth, he did his undergraduate work at McGill and his graduate work at MIT, from which he emerged as a well-trained neoclassical economist. From then on, however, his progress was leftward, ending in his embracing Marxism and concluding that neoclassical economics is not only not useful to the people of the world but positively harmful. Most of his published work is concerned with multinational corporations and related problems; but his interests were extraordinarily varied and widespread, and he had many projects underway or planned at the time of his death. Had he lived he would surely have made important contributions in many fields. We at MONTHLY REVIEW are proud to have published one of his most original and best-known essays, "Robinson Crusoe and the Secret of Primitive Accumulation" (MR,

(*Continued on inside back cover*)

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GROWING WEALTH, DECLINING POWER

By Paul M. Sweezy

> Power and property may be separated for a time by force or fraud—but divorced never. For so soon as the pang of separation is felt . . . property will purchase power, or power will take over property.
> —Benjamin Watkins Leigh,
> 19th-century Virginia statesman

I shall be talking about the U.S. empire as it has taken shape in the period since the Second World War, and I should explain at the outset that by "empire" I mean not only a mother country and its colonies, nor even only a metropolis and the whole collection of its clients and dependents regardless of their juridical status. I mean a metropolis and the ensemble of its international economic and political interests. As used here, therefore, "empire" and "imperialism" are terms which refer to the international aspects of monopoly capitalism in the advanced industrial countries.

One other preliminary: the driving force of imperialism, as of capitalism generally, is the inherent self-expansionism of

This is a revised and abbreviated version of a lecture recently given to several college and university audiences.

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capital. This idea does not exist for bourgeois economics, but it is central to Marxian economics. Those to whom it is unfamiliar should read Part 2 of Volume 1 of *Capital* which is only 34 pages long and amply repays careful study. In its incessant drive to expand, capital pushes aside or leaps over all barriers such as industry boundaries and national frontiers. This explains why the typical and dominant units of capital in the period of monopoly capitalism are both conglomerate and multinational—giant corporations operating in many industries and many countries. The global expansion of these giant corporations has been the core phenomenon of U.S. imperialism in the last quarter century.

II

An empire is a structured system with the metropolis at its head and a hierarchy of subordinate units under it. It operates according to certain rules and norms which are enforced by an appropriate mechanism of rewards, sanctions, and, in the final analysis, force. These rules and norms are both national and international in character, and so also must be the enforcement machinery. Each unit in a capitalist empire must obviously enable capital to function more or less freely within its jurisdiction, which means there must be reasonable security for private property and an exploitable labor force. (In Marxian theory an exploitable labor force means a labor force which is obliged to sell itself to capital in order to make a living.) As between the units of an empire there must be relatively unimpeded mobility of commodities and money and to a certain extent labor (at least particular kinds of labor). Flows of capital and profit of course take the form of money flows. It follows that for the international structure of a capitalist empire the trading and monetary systems are crucially important. The enforcement of the appropriate conditions with respect to property and labor is in the first instance the responsibility of national (or colonial) governments, while the shaping and enforcement of the trading and monetary system is basically a function of the metropolis. According to this view a capitalist empire is essentially a collection of countries practicing or open to the capitalist mode of production and accepting the lead of the most powerful among

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them in trade and monetary matters. We would then have to say that a country leaves the empire if it either (1) changes its social system internally in such a way as to exclude capitalism, or (2) goes its own way in trade and monetary matters. The leading metropolis is naturally always on the lookout for tendencies of either kind and does its best to counteract them. This could be said to be the art of holding together and managing an empire.

III

Turning now to the American empire, let us look at the arrangements and mechanisms which were worked out during and after the Second World War to ensure its cohesion and functioning. Most American leaders of course do not think in terms of empire and imperialism; but there is no doubt that these terms, if understood in the sense just indicated, accurately describe their intentions and actions. Their language runs in terms of the free world and its leadership. By "free world" they of course mean a world open to capitalist enterprise; and by "leadership"—which they never doubted could belong only to the United States—they mean the right to determine the operating rules of the free world and the possession of the necessary military strength to see that these rules are adhered to.

U.S. policies during and after the war therefore had three main purposes: (1) keeping as many countries as possible in the American empire, alias the free world, which means preventing revolutions and promoting counter-revolutions; (2) devising an appropriate set of international rules and institutions; and (3) building up predominant military strength. Let us examine these in turn.

The free world suffered the loss of Eastern Europe in the war itself, as the Red Army moved into the middle of the continent. To prevent further loss after the war required massive U.S. aid for the reconstruction of Western European capitalism (loans to Britain, Marshall Plan, etc.). This effort succeeded. In Asia another massive effort (much bigger than most people in this country recognize) failed to block the Chinese Revolution or to prevent the "loss" of North Korea and North Viet-

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nam. Since then, the United States has had to fight two major wars to prevent further losses in Asia—in Korea in the 1950s and in Vietnam in the 1960s. One further loss, however, was suffered, in Cuba. And a series of counter-revolutions instigated or backed by the United States has been necessary to prevent further defections—in Greece, Iran, Guatemala, the Dominican Republic, and most recently Chile. (Other cases, e.g., Lebanon and Indonesia, might plausibly be included in the list.) One can say without any fear of exaggeration that this problem of preventing more losses has never been absent in the last quarter century and at all times has been one of the dominant concerns of American policy-makers. It is this aspect which accounts for anti-communism's becoming the ideological keystone of American imperialism, playing somewhat the same role as the "white man's burden" in nineteenth-century British imperialism.

Next we come to the devising of appropriate international rules and institutions for the system as a whole. A dominant economic power naturally favors two things: free trade (at least for everyone else) and the universal acceptance of its money as a standard of value and means of international payment. Thus Britain was the champion of free trade in its imperial heyday, and London's pre-eminence in finance and banking was such as to enthrone the pound sterling as the world's premier currency. The United States set out to pursue similar policies and achieve a similar position long before the end of the Second World War. Lend-lease assistance to allies during the war was as far as possible coupled with the requirement that recipient countries liberalize their trade policies after the war; and an attempt to universalize the liberalization of trade policies was undertaken with the creation in 1947 of the General Agreement on Tariffs and Trade (GATT). Meanwhile, the system's most important new international institutions had been created at the famous Bretton Woods conference in 1944. Bretton Woods established gold and the dollar as co-equal in international monetary matters: the value of gold was fixed at $35 to the ounce, and all other countries were obligated to treat them as the same in their reserve and payments activities. As subsequent experience was to show, this amounted to presenting the United States with a free

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gold mine. It was a wonderful system—while it lasted. Bretton Woods also set up the International Monetary Fund (IMF) and the World Bank, a kind of stick-and-carrot arrangement for keeping lesser countries in line.

Finally we come to the military aspect of the American empire. Washington's original intention was to keep an effective monopoly over the system's military power in its own hands. Other countries were to have enough military strength to combat internal subversion, but not much more; and the various national military establishments were to be kept tied as closely as possible to the Pentagon. Any large-scale fighting against the "enemy" would be done by the United States using its own forces and calling on its allies for no more than token support. (The enemy, of course, was called communism and consisted of two parts, which as time went on had less and less to do with each other: on the one hand, the socialist countries, and, on the other, revolutionary national liberation movements in the Third World.) This policy involved the necessity for the United States to build a huge military machine costing tens of billions of dollars annually. From the point of view of U.S. monoply capitalism, paradoxically, this was all to the good: during the whole postwar period it has been this astronomical military budget which has maintained relative prosperity in the United States and thereby prevented the entire capitalist system from sinking once again into a new great depression like that of the 1930s. As we shall see, however, the possibility of maintaining a near monopoly of military power (though not the policy of huge military budgets) gradually eroded and now, like almost everything else related to the U.S. empire, faces a highly uncertain future.

IV

But before we get to this aspect of the problem, it is necessary to record some of the successes achieved by the American metropolis during the period of its greatest power, roughly the 1950s and the first half of the 1960s. One was negative, the holding of losses after the victory of the Chinese Revolution to one small country, Cuba. On the positive side, by far the greatest success was the enormous expansion on a global scale—

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throughout the entire free world/empire—of giant U.S. multinational corporations.

At the end of the Second World War the direct foreign investments of U.S. corporations were about the same as they had been at the beginning of the great depression of the 1930s. By 1950 when official figures began to be published, direct foreign investment stood at about $12 billion which was still a relatively unimportant fraction of the total assets of U.S. corporations. By the end of 1972, 23 years later, the total had increased to $94 billion or by nearly 700 percent. It should be added that this is book value, which everyone knows is much less than market value. The head of the European bureau of the *Wall Street Journal* has estimated that on the average the market value of foreign investments is around three times book value. It is thus obvious that official figures understate rather than overstate the magnitude of the expansion which has taken place in the postwar period.

According to the logic of orthodox economics, this is in no sense a manifestation of American imperialism, let alone of exploitation of other countries. On the contrary, the economists argue, it must be obvious to anyone with eyes to see that by investing tens of billions of dollars in other countries the American corporations have been conferring enormous benefits on the recipients. But let us look a bit more closely. First, where did all that capital for foreign investment come from? If we look at figures for capital actually exported from the United States, we find that of the $82 billion increase in foreign holdings between 1950 and 1972, about $50 billion represented actual capital exports. The remainder was furnished by the recipient countries themselves, either in the form of reinvested earnings of foreign subsidiaries of American corporations or of borrowing by these subsidiaries in local money markets. In other words, during this period U.S. corporations, in addition to sending abroad $50 billion, absorbed more than $30 billion of savings generated in the foreign countries themselves.

Well, you may say, that does cut down on the size of the net benefit conferred on the recipient countries, but isn't it still pretty big? But again we must take a closer look. We have been taking account of only one side of the ledger. Investment is a

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two-way street: in one direction flows capital, in the other income. And when we examine this other flow, i.e., of income from the recipient countries to the metropolis, we find a truly startling picture. While the capital outflow was $50 billion, the income inflow was $99 billion, almost exactly twice as much! The upshot is that giant U.S. corporations have been draining enormous amounts out of the rest of the free world while at the same time acquiring control over a larger and larger share of the rest of the free world's assets. This, I submit, is what U.S. imperialism is all about.

V

It is a commonplace that in the last two years U.S. imperialism has been in a period of crisis. The institutions established at the end of the Second World War are in a shambles: the Bretton Woods system collapsed during the later 1960s and was officially buried by Nixon's speech of August 15, 1971; the trade liberalization principles underlying GATT are flouted more openly every day, not least by the United States itself; the once almighty dollar had to be devalued twice in two years, and no one knows whether its recent recovery is more than a flash in the pan. At the same time the supposed military omnipotence of the United States has been exposed as a lie by the Vietnamese: after nearly ten years of fighting in Indochina—at one time with an army of more than half a million and more airpower than was deployed in the whole of the Second World War—the United States finally had to withdraw, leaving large parts of South Vietnam in the hands of the Provisional Revolutionary Government. Moreover, and this may be the hardest blow of all, Vietnam has shown that the people of the United States are simply not prepared to support counter-revolutionary wars, nor are conscripted armies willing to fight them.

Most of the assumptions on which the American empire was based have either crumbled or been called into serious question. And yet the underlying expansionist drive of U.S. corporate capital has not been checked or even slowed down. On the contrary, it has been accelerating and gathering momentum just when the institutions which nurtured and protected it were foundering. Let me adduce a few facts in support of this statement.

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According to the latest official figures (*Survey of Current Business,* September 1973), additions to U.S. direct investments abroad in 1972 were slightly less than the record amount of the previous year ($7.9 billion as against $8.0 billion), but the financing of the increase differed markedly. Reinvested earnings accounted for $3.2 billion in 1971 and $4.5 billion in 1972; while capital outflow from the United States dropped from $4.9 billion in 1971 to $3.4 billion in 1972. In other words, the so-called recipient countries are paying for more and more of the U.S. corporations' investments within their borders. On the income side, too, the corporations never had it so good. The take in dividends and interest (not including royalties, fees, and funds transferred through phony pricing of intra-firm shipments) was $10.4 billion in 1972 as against $9.5 billion in 1971. And, in the words of the *Survey of Current Business:* "Identifiable U.S. corporate transactions had a net favorable impact of $8.9 billion on the 1972 U.S. balance of payments, up $4.0 billion from 1971." No signs of crisis in *that* quarter!

Leaving aggregate statistics for a moment, let us note how the business world itself sees the situation. A leading article in the *Wall Street Journal* of November 1, 1973, is headlined as follows: FOREIGN VENTURES FETCH MORE PROFIT FOR FIRMS BASED IN UNITED STATES — DEVALUATION IS A HELP: GAINS IN SALES KEEP EARNINGS UP FOR REINVESMENT ABROAD — "OPPORTUNITIES ARE UNLIMITED." And here are some excerpts from the story which follows:

> U.S. corporations have created real money-making machines by investing in operations abroad.
>
> The pounds—and the francs, marks, lire, pesetas, and yen—are flowing in this year.
>
> On top of a profitable 1972 for foreign operations, many U.S.-based companies expect 1973 to wind up even better. Some are looking for profit increases of 30 percent, 40 percent, and 50 percent on their already lucrative foreign operations. In some cases, profits from abroad will offset lackluster domestic trends. . . .
>
> You can run your finger down the list of the 500 biggest industrial firms in the United States, stop at most any one of them, and find an international success story this year. Union Carbide earned $44.7 million abroad in 1971 and $62.9 million in 1972;

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this year, the company says, should prove another winner. Hercules Inc., a big Delaware chemicals concern, says it is "doing just fabulously abroad." All three big automobile makers report sharply rising foreign earnings. Though International Business Machines Corporation won't talk publicly about this year's foreign earnings, analysts think they are partly responsible for what looks like a rich year for IBM. "IBM is very, very healthy overseas," says one analyst.

Polaroid, for the third straight year, expects its foreign sales to rise by more than 30 percent from prior-year sales. Profits? They're "increasing at rates exceeding the sales gains," says Thomas H. Wyman, senior vice president.

International Harvester's foreign profits nearly doubled in 1972 to $86.6 million from $45.2 million in 1971. . . . International Telephone and Telegraph Co., with 32 percent of its assets abroad, got 45 percent of its net income overseas last year, up from 35 to 40 percent in the previous four years. . . .

Demand abroad is so great, says Harvester's Mr. Voss, that "neither we nor our competitors have had enough production to take advantage of it." "The opportunities for Proctor & Gamble's products overseas seem almost unlimited," says a P&G spokesman; the company's foreign earnings have more than doubled over three years. . . .

"The potential for expansion of the soft-drink business is greater outside the United States simply because of the maturity of the business in this country," says a Coca-Cola spokesman. Coca-Cola got 55 percent of its total profits overseas last year, up from 53 percent in 1971.

And still there are people who will tell you that the American economy is only marginally involved in international affairs!

VI

Let us pause and try to fit together some of the parts of the total picture. We have seen that at the end of the Second World War the United States in effect turned the whole free world into an empire under its military and economic hegemony. In these circumstances, U.S. monopoly capital in the form of giant multinational corporations exploded throughout the parts of the globe open to it, and this is continuing at an accelerating rate. In the meantime, however, the Vietnam war and the collapse of the Bretton Woods monetary system have gravely impaired the structures which organized, stabilized, and guaranteed U.S. hegemony. In other words, while the U.S. empire is growing

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more rapidly than ever before in terms of wealth, it is becoming steadily weaker in terms of financial and military power. One cannot help wondering whether this is not an absolute contradiction. How long can growing wealth and declining power continue to coexist? Historical experience over many centuries and even millennia suggest that they cannot coexist for very long.

The U.S. ruling class will of course do its utmost to arrest and reverse the decline in the nation's financial and military power. For my part, I do not believe there is any prospect of being able to restore the kind of trade and financial dominance which characterized the period of hegemony. There is no longer anything that can be called an international monetary system in the sense that the old gold standard and the dollar/gold standard of the Bretton Woods arrangements were international monetary systems. The currencies of the advanced capitalist countries float against each other and will probably continue to do so. This is always a situation which invites fragmentation, competitive devaluations, controls on money and capital flows, etc. Weaker countries tend to tie their currencies and hence their whole economies to those of stronger countries. Out of this situation there are likely to arise rival blocs having increasingly the character of rival empires. The world has had a good deal of experience with rival empires, and so far the rivalry has always ended in major wars. No one can predict that this will happen again, but neither is there any guarantee that it will not. In any case the freedom of U.S. corporations to go on expanding inside other countries and/or empires is hardly likely to remain what it has been. And as economic warfare heats up, the temptation for developed capitalist countries harboring large U.S. investments to nationalize American-owned branches and subsidiaries will steadily mount.*

* There may even come a time when the United States too will fall under such temptation. Reporting on the testimony of John J. McCloy before a Senate committee inquiring into the background of the energy crisis, the *New York Times* reporter included the following tidbit: "As an aside, Senator Case asked if the Shah [of Iran] should be allowed to use Iran's new oil profits 'to buy a controlling share in General Motors.' Mr. McCloy answered, 'Let them come in, then nationalize them. The Arabs learned that.'" (February 7) McCloy, it should be remembered, is one of the most powerful elders of the American business establishment.

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As far as U.S. military strength is concerned, there are at least three ways in which Washington is attempting to check the process of erosion: Vietnamization, the all-volunteer army, and building up regional sub-imperialist powers. Since these and related questions are ably treated in the article by Michael Klare which immediately follows, there is no need for me to elaborate on them here.

U.S. MILITARY STRATEGY AFTER VIETNAM

By Michael T. Klare

Throughout most of the period since the Second World War, American military strategy has been predicated on the assumption that all-out war with the Soviet Union constituted the gravest potential threat to U.S. national security interests. To prepare for this impending conflagration, the United States acquired an awesome arsenal of nuclear weapons, and fielded an army that was primarily designed for thermonuclear warfare. In the prevailing view of the time, it was considered essential to prepare for the "worst case" contingency of a U.S.-Soviet nuclear exchange, even if preparations for lesser contingencies suffered in the process. As noted by Pentagon correspondent John S. Tompkins, "From the end of World War II through the fifties, each crisis, each coup, each revolt was seen as a possible scheme to divert our attention from World War III—the great East-West confrontation that we were sure was coming. The bomb might be unsuitable for such local troubles, but we were going to win World War III with it."[1]*

Michael Klare is the author of *War Without End* (New York: Vintage, 1972, $2.95).

* Notes will be found at the end of the article.

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Today, few people are concerned with a possible Third World War, and the material resources needed to assure "victory" in one are moving increasingly beyond anyone's grasp. Although the military establishment is still charged with the task of preparing for all-out thermonuclear war, it has stopped believing in the inevitability of atomic holocaust and is instead preoccupied with such problems as social disequilibrium, energy shortages, and the balance-of-payments crisis. Slowly, but inexorably, the U.S. war machine is being restructured to increase American leverage in the uncertain and highly competitive world arena of the 1970s. Thus war plans which presuppose unlimited automatic escalation are being replaced with new scenarios that envision a much more controlled use of military force. Indeed, the contingency that causes most worry for U.S. defense planners is that a series of small wars, revolutions, "incidents," and confrontations will so debilitate the armed forces that the United States will gradually be stripped of its superpower status and be obliged to share world power with its rivals. This shift in America's outlook—and the underlying political and economic conditions that it reflects—would have been inconceivable before Vietnam; it is essential therefore, that we review the impact of the Indochina war on U.S. global posture before proceeding to a more detailed analysis of U.S. military strategy in the 1970s.

During the Eisenhower administration, American defense policy was dominated by the strategy of "massive retaliation," which held that the very threat of thermonuclear attack was sufficient to deter any military challenge to U.S. national interests. Massive retaliation failed, however, to deter revolutionary upheavals in Cuba, Algeria, and Indochina; and in 1961 President Kennedy adopted the strategy of "flexible response" to provide an enhanced "conventional" (i.e., non-nuclear) option in meeting threats at the lower end of the military spectrum. In keeping with the new doctrine, Kennedy authorized a substantial expansion of U.S. ground forces (under massive retaliation, the army had been reduced to a small "holding force" that would block enemy invasions until nuclear weapons could be brought into play) and approved the development of a substantial counterinsurgency capability in the army. When the Diem regime came

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under sustained attack from Vietnamese revolutionaries, the Kennedy administration—again acting on the premises of flexible response—ordered the deployment of Special Forces commandos and U.S. army "advisers" to Vietnam. And when these forces failed to stem the growing revolt, Kennedy sent still more "advisers" to protect the "credibility" of our counterinsurgency capability. Each increment had to be followed by another, however, for Vietnam was fundamentally and inescapably a *political* conflict and thus no purely military measure could insure success in the struggle against the National Liberation Front (NLF). Ultimately more than 500,000 U.S. combat troops were committed to a long and futile attempt to defeat the Vietnamese revolution.[2]

America's failure to destroy the revolutionary movement in Vietnam represents a decisive setback for flexible response, and discredits the strategy of using large numbers of ground troops in counterinsurgency warfare. In a major critique of U.S. defense policy, Colonel Zeb B. Bradford of the army wrote in *Military Review* that as a result of Vietnam, "we have learned that, in strategic terms, ground power can be quite inflexible once committed, however much flexibility it may provide on a tactical level. . . . While aircraft and ships can often reverse course and make a clean break, ground forces rarely can do so once engaged." The use of ground forces thus "*burns the bridges of easy political or logistical withdrawal.*"[3] (Emphasis added.) In the final analysis, then, flexible response offered only a "one-way flexibility," by providing the means to commit ground troops in counterinsurgency, but not to "decommit" them, once involved.

As long as the U.S. involvement in Vietnam was limited to advisers and Green Berets, American public opinion was largely neutral on the issue of the war. But once large numbers of combat troops were committed to a costly and unproductive ground war, public opinion became negative and finally hostile. Ultimately, it became obvious to soldier and citizen alike that the American strategy in Vietnam—with its emphasis on the massive use of ground forces—was incapable of producing a rapid and economical victory. With this realization came substantial dissent and rebellion within the military, and a massive outpouring of antiwar sentiment among the people. The lessons and conse-

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quences of Vietnam are certain to have a profound impact on future U.S. military strategy; as the nation enters the post-Vietnam era, it is clear that the defense establishment will have to accommodate itself to the following constraints:

- It is unlikely that the American public will permit U.S. ground troops to become involved in another protracted counter-guerrilla war in remote Third World areas.
- Growing concern with domestic economic issues—unemployment, the energy crisis, the high cost of living, etc.—coupled with rising inflation and mounting balance-of-payments problems, suggest that a relatively smaller share of the federal budget will be available for defense programs in the years ahead.
- The spread of antiwar sentiment to the armed services and growing GI resistance to racism and repression have substantially reduced the combat-worthiness of many units and have forced the Pentagon to abandon many manpower-intensive strategic plans.

Most serious, however, is the collapse of the ideological consensus which assured popular support for all Cold War measures based on uncompromising opposition to Communist expansion. It is no longer sufficient—as in the heyday of Berlin and Korea—to prophesy the spread of Communism in order to secure public backing (and Congressional funding) for the deployment of U.S. forces abroad. Thus a House Subcommittee on National Security Policy concluded in 1972 that "U.S. national security is not automatically endangered whenever a country turns toward communist ideology"—a statement that would have been considered heretical (if not treasonous) a decade ago.[4] In a major essay on the military's present predicament, Admiral Stansfield Turner of the Navy War College commented: "The American people appear to be desirous of reducing the world-wide roles we have been filling for the past 25 years. . . . Thus, it is becoming increasingly difficult to pay for all the forces needed to support the strategy of containment of Communism that has remained largely unchanged over the past quarter-century."[5]

These domestic consequences of Vietnam have been paralleled by analogous and complementary repercussions abroad. While the United States diverted enormous resources to a costly and indecisive ground war in Southeast Asia, other nations—

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within both the capitalist and Communist spheres—expanded their economies at record rates while acquiring the latest military hardware. Only now, with our disengagement from Vietnam nearly complete, can we begin to appreciate the magnitude of power realignments that have taken place over the past decade. Whereas once it was common to define all international crises in terms of the great-power struggle between the United States and the Soviet Union, today most analysts agree that this bipolar balance has given way to a multipolar world in which five "key world power centers"—China, Japan, Western Europe, the Soviet Union, and the United States—figure in the global power equation.[6] Any serious assessment of the post-Vietnam military environment must take the following developments into account when computing the world strategic balance:

The People's Republic of China, with an independent nuclear capability and a growing array of delivery systems (including strategic bombers and medium-range ICBMs), has emerged as a major regional power.

Japan, in the span of only 25 years, has risen from the ruins of the Second World War with the world's third largest GNP and a substantial war-making capability. Although its constitution prohibits the development of an offensive military capability, Japan has constructed a substantial military apparatus (known as the "Self-Defense Forces") and—under a new Five Year Defense Plan—will acquire new air and naval capabilities. Most analysts also believe that Japan has the technology and resources to acquire an independent nuclear capacity if it so decides.

Western Europe, like Japan, has recovered from war-time devastation to pose a serious challenge to American supremacy in the "free world" marketplace. Both Britain and France possess thermonuclear weapons, and most other European countries are participating in joint development projects that assure continued access to the latest innovations in aerospace technology.

The Soviet Union, unencumbered by a costly land war in Asia, has channelled substantial economic resources into the acquisition of new military hardware, including advanced ICBMs and SLBMs (submarine-launched ballistic missiles), and—for the first time in Russian history—a substantial "salt water" naval

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fleet that is considered a major threat to U.S./NATO hegemony in North Africa, the Middle East, and South Asia.

The new world balance of power forged by these developments is further complicated by the presence of crucial new parameters: the international currency crisis; trade rivalries within the capitalist camp; the Sino-Soviet dispute; competition for energy supplies; etc. Furthermore, the growth of new *sub-regional* powers (many of them armed with the latest European or American armaments) like Iran, Israel, India, and Brazil, further complicates the situation.[7] Nor can the United States assume either that current allies will continue to be friendly or that traditional clients will remain subservient. During the 1973 Arab-Israeli war, for instance, West Germany refused to permit transshipment of U.S. military equipment to Israel; while Greece and Turkey prohibited refueling by U.S. supply planes. "Enemies who became allies," Max Frankel commented recently, "are now verging on rivalry. Allies who became adversaries now loom as potential collaborators. Military, economic, and ideological dependencies and affinities are changing, not only among the unfulfilled nations, but also among the most potent ones."[8] Some analysts have even suggested that the gravest challenge to America's global supremacy may ultimately come from Western Europe and/or Japan rather than from the Soviet Union.[9]

Despite these changes and uncertainties, U.S. foreign-policy objectives have remained essentially unchanged over the past three decades. The principal objectives have been, and will continue to be, the maintenance of our position as the world's paramount military and economic power, and the intensification of U.S. control over foreign markets and sources of raw materials (particularly energy sources). These objectives require, in turn, the containment of Soviet power and influence (the USSR being considered the most potent threat to U.S. world paramountcy), the continued subordination of our capitalist allies (particularly Western Europe and Japan), and the defeat of national liberation movements in the Third World. While U.S. objectives remain constant, however, the means available to attain them are continually diminishing. Thus the dollar is no longer the world's commanding currency, and U.S. exports have long ceased to

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dominate world trade. In the military arena, the erosion of U.S. leverage is even more pronounced: although the United States is still stronger militarily than any other single power (or than most combinations of two or three powers), it must be prepared to face a situation in which it could wind up on the weaker side of a world power realignment. Unless America is willing to employ the full weight of its military capability in defense of *any* government or territory deemed vital to its interests, it can no longer expect to emerge victorious from *every* armed encounter in which it might become involved. And, as we learned in Vietnam, even a "limited" non-nuclear engagement in one area can severely restrict the nation's ability to fight simultaneous engagements elsewhere. As noted by Chairman of the Joint Chiefs of Staff Admiral Thomas H. Moorer: "Our relative military power throughout the world has peaked and is declining. We no longer possess that substantial strategic superiority which in the past provided us with such a significant margin of overall military power that we could, with confidence, protect our interests worldwide. Henceforth, we will have to chart our course with much greater precision and calculate our risks much more cautiously."[10]

In response to the changing domestic and international environment, American policy-makers have sought new instrumentalities of influence and coercion in order to prevent further reductions in U.S. leverage. By negotiating a Strategic Arms Limitation Agreement with the USSR, the Nixon administration helped slow down the strategic arms race while preserving America's lead in strategic weaponry. Creation of an all-volunteer army and reductions in overseas U.S. troop deployments neutralized much anti-military sentiment at home, while acquisition of new jumbo transport jets and added naval attack forces assure a continued U.S. capability to intervene abroad. Military assistance and arms sales have risen spectacularly to insure that client regimes will retain sufficient muscle to stay in power even after the withdrawal of U.S. expeditionary forces. Such military programs have been complemented by various economic, political, and diplomatic measures designed to provide U.S. policy-makers with a wider spectrum of options with which to pursue U.S. objectives. In Chile, for instance, the Nixon administration employed a sub-

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tle combination of economic warfare (aid cutoffs, a credit blockade, freezes on deliveries of key machine parts, etc.) and political intrigue to paralyze the Allende government while encouraging its opponents (especially those in the armed forces).[11] A similar "mix" of tactics was employed during the Indo-Pakistani war of 1971 to preserve the U.S. alliance with Pakistan while at the same time avoiding an irreconcilable breach with India. On a larger scale, the new approach is most evident in the diplomacy of *détente*: by reopening ties with the People's Republic of China, and collaborating with the Soviet Union in the containment of local disputes, the administration has succeeded in bringing U.S. foreign policy into better alignment with the actual balance of world power, permitting a more pragmatic and economical expenditure of foreign policy resources. (At the same time, of course, the White House is pursuing various diplomatic and political maneuvers designed to exacerbate the Sino-Soviet split, compelling the two countries to dissipate their own military resources and thus to reduce their capacity to offset U.S. encroachments elsewhere.[12])

The administration's new tactical initiatives are formally summarized in what has come to be known as the Nixon Doctrine. When first promulgated in July 1969, the Nixon Doctrine called for the gradual withdrawal of U.S. combat forces from Asia and the assumption of a "forward defense" role by the ground forces of our clients (liberally supported, of course, by U.S. air and naval forces).[13] As noted by President Nixon in his 1970 "State of the World" address, the Doctrine's operative phrase held that in cases of non-nuclear conflict, "we shall furnish military and economic assistance when requested and as appropriate, but we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense."[14] By 1973, however, the Doctrine had been given a much wider interpretation: instead of applying merely to Asia, it has been extended to the entire globe; and instead of referring exclusively to military resources and options, it encompasses the whole spectrum of foreign-policy operations. As stated by Deputy Defense Secretary William P. Clements, Jr. in a 1973 appearance before the House Foreign Affairs Committee, the Nixon

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Doctrine now incorporates three basic principles: (1) partnership with friendly nations in which the obligations, as well as the benefits, of peace are equitably shared; (2) a sufficiency of overall military strength, both U.S. and allied, in relation to that of others; (3) a willingness, in company with our friends, to negotiate in order to seek solutions to the underlying causes that lead to conflict.[15]

Stated in more pragmatic terms, the revised Doctrine envisions the United States at the center of a whole new galaxy of power relationships and alliances in which armed combat will be delegated—insofar as possible—to the weaker and poorer nations while *détente* and collaboration will govern relations between the richer and stronger nations (including those in the Communist bloc). This new flexibility is subject, however, to several important constraints. To begin with, the United States must prevent the ascendancy of the Soviet Union (or any other great power), to true *super*-power status, which would obviously entail the collapse of the present structure of alliances. Furthermore, the administration's unexpected *rapprochement* with China and the USSR alienated certain allies (especially Japan) whose views were not consulted, and weakened others (like Taiwan) whose survival is predicated on an undiluted Cold War stance. Finally, despite America's failure to create a self-sufficient anti-Communist regime in South Vietnam, the United States is still committed to the survival of numerous authoritarian regimes throughout the Third World. Since such governments are certain to engender discontent so long as they frustrate popular demands for self-determined national development, the need for future U.S. military involvement can never be discounted.

In the final analysis, American maneuverability is constrained as much by the very complexity of great-power interactions as by any other single factor. As noted by Raymond Barrett of the State Department's political staff:

> A multiple power balance changes the equation greatly. The uncertainties increase enormously. All kinds of power combinations are possible. Each of the leading powers has to consider the strength and likely actions of four other powers, rather than simply one. . . . The sheer inability to identify accurately the crucial variables, as

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well as the constant possibility of their rearrangement, is likely to be a strong deterrent to rash action by any one of the powers.[16]

Furthermore, while *détente* and collaboration among the great powers can reduce the uncertainties of international relations, the growing number of independent actors in the world arena and the diversity of ideologies at play insure that no pacts or accommodation will remain inviolable for long. "It would be very comforting to view the world as some sort of emerging Utopia," Army Chief of Staff General Creighton W. Abrams asserted in 1973,

but to do so one must blot out the problems associated with the growing U.S. dependence on access both to markets and to material sources, especially energy sources, beyond our shores. It means discounting the fact that the world is growing smaller with more and more countries interacting in world affairs which will create more opportunities for friction. And lastly, it means minimizing the awesome reality that formidable military force is in the hands of leaders whose ideologies and purposes are not yet compatible with ours.[17]

Abrams added: "I do not know, nor do I propose to forecast, when and where some contingencies will arise calling for the use of Army forces. I only know that such a contingency probably will arise and it is our business to be prepared for it. *We are faced with uncertainty, and in the face of uncertainty, we need an Army.*"[18] (Emphasis added.)

Given this assessment of the international strategic environment, we can understand why American military planners are concerned less with the (relatively) predictable scenario of a thermonuclear exchange than with the uncertainties of shifting alliances, local conflicts, oil blockades, guerrilla uprisings, etc. Responses which are suitable to a nuclear confrontation have proven ineffective in the current milieu and have been scrapped; in their place, the U.S. military establishment has contrived a new strategic doctrine to govern the deployment of U.S. forces abroad. The new outlook foresees a very limited role for U.S. forces in actual combat situations, but an increased use of such forces in a political and psychological mode: for threat, intimidation, bluff, and admonition. (In the 1973 Mideast crisis, for

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instance, U.S. forces were put on a world-wide alert in order to discourage the USSR or its allies from intervening on behalf of Egypt.) In most Third World areas, the primary defense responsibility will be delegated to indigenous military and paramilitary forces (including the police), and to the interventionary troops of selected regional powers. U.S. military involvement, when authorized, will normally consist of air or sea operations in support of allied ground forces, or quick, "surgical" assaults by U.S. shock troops lofted abroad by huge jumbo jets and backed by abundant U.S. airpower. The contours of our strategic posture, according to Navy Chief of Operations Admiral Elmo R. Zumwalt, Jr., dictate that "future U.S. military involvement overseas will call first for the high-technology, capital-intensive services—air and naval forces—to support the indigenous armies of threatened allies."[19]

On the basis of this assessment, the following outline of future U.S. military strategy can be constructed:

(1) At the *upper* reaches of the military spectrum, America's superiority in strategic weaponry will be preserved indefinitely in order to deter any challenge to U.S. global paramountcy. This effort will involve further SALT agreements with the Soviet Union designed to restrict strategic arms spending to manageable proportions, and continued improvement of existing armaments (particularly submarine-launched ballistic missiles and multiple-warhead ICBMs) in order to preserve America's technological lead.

(2) At the *lower* end of the military spectrum, U.S. military and economic aid to favored Third World regimes will be greatly increased to assure the availability of sufficient local forces to defeat any revolutionary challenges to pro-U.S. governments. Such forces will be armed with American weapons, led by American-trained officers, and guided in battle by American advisers. In addition, the United States is contributing to the formation of regional or sub-regional powers that can "police" their regions on behalf of their U.S. benefactors. Among the countries that are being groomed for this role are Thailand, Indonesia, Iran, Greece, Ethiopia, and Brazil.

(3) In the broad *middle* range of military contingencies,

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the United States is developing a new "menu" of options designed to enhance U.S. leverage without the nation's economic and manpower resources. Here, the emphasis is on economy, speed, and the minimalization of force employment. Specifically, the new menu includes the following measures:

(a) America's naval strike forces will be greatly expanded in order to insure that U.S. ships and planes will always be available for defense of client regimes threatened with collapse. This will normally involve—as demonstrated in May 1972 in Vietnam—the deployment of aircraft carriers to provide air support for client armies on the mainland. These mobile forces will also be used in a deterrent mode—i.e., they will be sent to the coastal waters of a hostile nation to signal America's readiness to intervene should that nation embark on a course deemed inimical to U.S. interests.

(b) The United States will gradually withdraw most of its garrison troops stationed overseas, including those in Europe, while expanding its capability to redeploy U.S.-based troops abroad in an emergency. This will ultimately involve an agreement on mutual force reductions in Europe, and the establishment of well-defended logistical bases to serve as "stepping stones" for the giant transport aircraft that will rush American soldiers and equipment abroad in future crises.

(c) On the rare occasions in which U.S. combat troops are actually committed to battle, American forces will use every advantage in firepower and technology to overwhelm hostile forces in a short period of time—and before any domestic or foreign opposition movements have a chance to mature. Once hostilities are concluded, these forces will return to the relative obscurity of their state-side and seaborne bases to await the call for the next intervention. Should these shock troops fail to overcome their adversary in a critical confrontation, the United States is prepared to use small, "clean" (i.e., low fallout yield) tactical nuclear weapons in defense of its beleaguered forces.

In summarizing the Pentagon's new outlook, General Abrams told Congress that our smaller army "will not be able to match potential enemies man for man and weapon for weapon in many likely areas of development. We cannot afford an army

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large enough to do that, nor could we on an all-volunteer basis recruit such an army. What we need is the *qualitative edge* that will provide our smaller forces with the combat power advantage necessary to insure success. . . . Once committed to battle, our soldiers must have the wherewithal to insure the decisive application of force in the shortest possible time."[20]

To be sure, this vision of heavily armed mobile troops backed up by a powerful navy and air force accords nicely with Admiral Zumwalt's call for maximum utilization of America's "high-technology, capital-intensive" forces—the White House retains an interventionist apparatus abroad, while reducing its political risks and investment of manpower. If this strategy appears reminiscent of British policy during the late nineteenth century, it should cause surprise to no one, since in both cases mobile (primarily naval) forces were used to "preserve order" in an overextended empire. As recent events have shown, however, there are certain risks inherent in such a strategy: "high-technology, capital-intensive" systems are particularly vulnerable to sabotage, mutiny, and strikes on the part of the specialized personnel who operate them. Thus during the height of the 1972 U.S. air war against North Vietnam, two aircraft carriers were disabled for several months by damage reportedly caused by dissident seamen: in one case, the carrier *Forrestal* was crippled by a $12-million fire allegedly started by a 19-year old sailor; while in the other the *Ranger* was kept in port for three months to repair damage sustained by its engines when someone threw a wrench and some bolts into a particularly sensitive gear system. Other cases of sabotage—ranging from faulty maintenance to theft of critical components—have kept dozens of other ships and hundreds of fighter-bombers out of combat for periods of a few hours up to weeks at a time.[21] Clearly, so long as a single crewman harbors some resentment against his officers or the military at large, no high-technology system is safe from internal disruption.

Racial and class conflict also threaten the reliability of complex military systems. The Volunteer Army (VOLAR), for instance, is increasingly being regarded as a "mercenary force" by the blacks, Puerto Ricans, Chicanos, and poor whites who are forced to join because of the lack of meaningful alternatives in the

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civilian economy. "America is in a crucial dilemma," Rep. Charles B. Rangel of Harlem noted in a 1971 critique of VOLAR. "It needs millions of bodies in uniform to maintain its international police force. It is having trouble getting these bodies because many of its young do not wish to be engaged in the merciless obliteration of Southeast Asia. So, characteristically . . . America has decided to follow the precedents set by the Roman and British Empires. It will hire mercenaries to prop up its foreign hirelings around the world."[22]

This prediction has been amply vindicated by subsequent events: between 1971 (when draftees still constituted a large part of army manpower) and 1973, the black proportion of total army strength rose from 11 to 18 percent, while by mid-1973—under the all-volunteer system—blacks accounted for over one-fourth of all *new* recruits. At the same time, the number of college and high school graduates in the services has declined significantly, while the proportion of volunteers reporting a pre-enlistment pay at the poverty level (i.e., less than the army's base level of $321 a month) rose to 80 percent.[23] These new recruits—many of them ghetto youths with considerable political savvy—have brought with them into the armed services a new consciousness of revolt and confrontation. As one black GI put it, "How can you fight for America, when every morning you read about black people being killed?" And from another black soldier: "America should deserve my life if I'm going to give it."[24]

This new consciousness has presented an unprecedented challenge to the Pentagon's motivational and disciplinary system: throughout the services, troubled officers report that the morale and "combat effectiveness" of their troops has declined precipitously because of racial strife, drug use, generalized insubordination, and other challenges to military authority.[25] Stuart H. Loory, author of a highly critical study of U.S. military preparedness, wrote in 1973: "It is an open secret throughout the defense establishment that its 180,000 troops in Europe [where insubordination, drug use, and racial conflict are widespread] would not even be able to cover their retreat to coastal ports or to airfields of embarkation if Warsaw Pact forces came across

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what used to be known as the Iron Curtain."[26] The termination of the U.S. combat operations in Vietnam has not, as was once hoped, stilled these problems of discipline and morale; it is clear, indeed, that unless the military can find ways to overcome the schisms within its own ranks, all of its "high technology" systems may prove useless when their human operators walk off the job in some future crisis.

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CHILE: THE MILITARY JUNTA AND ITS PERSPECTIVES

BY CARLOS MISTRAL

The perspectives of the military Junta are not independent of the manner in which it rose to power nor, by extension, of the events which preceded its rise. Therefore, it is necessary to point out two or three things concerning right-wing activities during the weeks prior to the coup.

After the failure of the uprising of the armored battalion on June 29, the right wing quickly regrouped its forces. The weak attitude of the government facilitated this action substantially. In late July and early August, an open and aggressive right-wing offensive was launched, into which the opposition threw all of its forces and energies. In the end, it demonstrated a quite limited capacity for social mobilization.

On the one hand, the Right utilized the resources of the terrorist organization Patria y Libertad [Fatherland and Liberty], closely linked to the CIA, in a violent escalation of terrorist acts which included the assassination of the President's military aide-de-camp. On the other hand, mustering up all its available strength, it mobilized whatever social forces it was able to control. A lengthy transportation stoppage was unleashed, one which ended only after the coup. This sector, though small in numbers,

Carlos Mistral is the pen name of a Chilean economist. The article was written in Santiago and completed at the end of October 1973. The translation is by the People's Translation Service.

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plays an essential role in provisioning the cities, especially in regard to foodstuffs. With the stoppage, the scarcity of goods obviously increased, intensifying speculation and black marketeering. In an attempt to end the stoppage, the government called out the military, while making all kinds of extremely advantageous offers. However, the military, called on to use an iron fist against the strikers, merely protected and even fraternized with them. Meanwhile, since the leadership of the striking truck-owners' association could count on ample financing from abroad (dollars), the stoppage did not create major economic problems for it. Another sector which attemped to mobilize was the small retail businessmen. Here the results were meager. Although the directives came from intermediaries who were part of the opposition and who supported the coup, 24-hour stoppages could not be continually repeated. In fact, the endeavor showed that the leadership of the organization of small businessmen was incapable of bringing its members into line in the way that the truckers' union was able to do. The last important sector that the Right was able to mobilize comprised some professional associations such as doctors and engineers. These groups initiated a rash of stoppages which rapidly promised to last indefinitely. Fabricating the wildest accusations concerning the economy, they ultimately demanded the resignation of President Allende. The conduct of these professional groups is not at all strange. In an economy such as that of Chile, the access to monopolistic control which such professionals have ends up by providing them with an income which virtually places them at the level of the big monopolistic bourgeoisie. Hence their inveterate pro-coup behavior. Apart from some small groups of ultra-conservative students, the Right was unable to mobilize anyone else. From the social viewpoint, as one can observe, this revealed a manifest weakness, one which did not escape the opposition leaders.

Although popular discontent with the economic situation was obvious, the Right was unable to build on it. Its ability to "mobilize the rank and file" (to use the pro-United States leader Eduardo Frei's words) turned out to be minimal. As a substitute, it redoubled its efforts in the ranks of the military, the last line of defense for the crisis-ridden regime. Toward such

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an end, by direct instigation of Frei (who maintained close contact with the pro-coup military leaders), parliament declared the illegitimacy or illegality of the Allende government. The arguments were puerile and shamefully hypocritical, but they provided limited support for the efforts to legitimize the impending armed uprising. For its part, the army was in the process of actively repressing the popular movement. This was done by making use of the Arms Control Law (passed with the help of votes from the Popular Unity parties), which, under the pretext of searching for illegal arms, led to innumerable assaults and raids on factories and working-class neighborhoods. In fact, many regions (for example, Osorno and Temuco) were already under strict military control even before the September 11 coup.

One point should not be forgotten: military intervention —which was bound to come—was *precipitated* after the *social weakness* of the right wing had been clearly demonstrated. In the light of this, the unique situation of the Chilean armed forces compared to that of their counterparts in other Latin American countries is once again confirmed. The Chilean military does not intervene for secondary reasons but rather is maintained as the last line of defense for the bourgeois regime—which is to say, it is not very Latin American but quite classical in its conduct.

The other aspect which must be kept firmly in mind, and which is closely linked to the foregoing, concerns the ideological bankruptcy of the Chilean ruling classes: their inability to devise a political scenario which would be even half-way appealing to some of the popular sectors. The Christian Democrats under Frei searched desperately for such a scenario, but the results were unimpressive.

These two points—the weakness of the social base and the lack of a clear political strategy—must not be forgotten. They are essential to an evaluation of the future course of events.

The Policies of the Military Junta

Too little time has passed since the coup to allow for categorical assertions. Undoubtedly there are potential tendencies

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and conflicts which have yet to develop. However, it is possible to outline tentatively certain fundamental characteristics of the policy that the Junta is trying to implement.

An initial element—previously mentioned—pertains to the ideological bankruptcy which the new regime is trying to cope with. Beneath the lyrical declarations concerning the "defeat of totalitarianism" and the "recovery of sacred freedom," which are rife with anti-communist hatred, there is little that one can observe. The nationalism invoked is essentially rhetorical, and there appears to be no possibility that it will coalesce into a Peruvian-style developmentalist policy.

On the political plane, needless to say, all of the bourgeois-democratic freedoms have been completely abrogated. Parliament has been dissolved, left-wing parties have been "legally" suppressed, and even right-wing parties have been suspended indefinitely. Unions and the right to strike have also been suppressed. According to spokesmen for the Junta, it is a question of eliminating "the cancer of Marxism at any price" and of putting the nation to work "harmoniously," since by now it is "tired of politics." Repression, in spite of violent international protest, has reached unheard-of limits—torture, life imprisonment, and mass executions are the daily fare—and it can be said that cultural progress has come to a full stop. A curious act to be noted: the study of sociology has been "suppressed" by decree and completely banished from the university curriculum.

On the economic plane, the model with which the Junta will try to operate will most likely be more profound and far-reaching than the one adopted during the 1960s, especially during its later years. The current model is a unique and concentrated one, deeply penetrated by foreign capital. But there is one highly important addition: the model will now work in conjunction with a political superstructure which is better suited to it. Even Radomiro Tomic (centrist leader of the Christian-Democrats) has declared that Chilean capitalism is incompatible with the rules of the bourgeois-democratic game.

The cost of the transition will be extremely high, as it already is. Short-term economic policy—taking advantage of very

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favorable political conditions—pursues as its main objective the rapid re-establishment of overall equilibrium. Since the means for expansion of supply are nil, all efforts are being concentrated on a drastic reduction of demand, especially in regard to consumption. In order to accomplish this, two fundamental guidelines are used: pricing policy and wage policy.

Prices have skyrocketed incredibly, especially in the case of wage-goods. Necessities have undergone a four-to-tenfold increase. Here is a sample—taken virtually at random—of some price increases realized during the month of October:

	Price at end of August	*Current price*	*Increase (%)*
	—*escudos*—		
Bread	11	40	264
Milk	8	30	275
Cooking oil	35	240	586
Chicken	50	720	1340
Beef	240	1800	650
Coffee	75	540	620
Sugar	25	120	380
Laundry detergent	14	80	471
Paraffin	1.5	10	567
Transportation	4	13	225
Imecol, anti-diarrhea medicine for children	35	435	1143
Shoes	2200	8000	264
Noodles	10	50	400
Rice	20	120	500
Cigars	10	60	500
Soft drinks	14	85	507
Movie tickets	20	130	550

(NOTE: New increases have already been announced. For example, transportation—20 escudos, and rice—240 escudos.)

Obviously the rate of inflation—which was already high—has soared to unbelievable heights. In the words of the present Minister of Economics (the ex-president of the newspaper chain *El Mercurio*), the coming months "will be terrible." For the last quarter of the year a general price rise of about 300 percent is expected. Due to the fact that the rate of inflation was 300 percent between October 1, 1972 (date of the last general adjust-

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ment of wages and salaries) and the end of September, 1973, we have prices that have multiplied approximately sixteen times, that is to say, an inflation of around 1,500 percent within fifteen months. (According to Augusto Pinochet, president of the Junta, an inflation of 1,600 percent is to be expected.)

Faced with this prospect, the wage policy which has been adopted is extraordinarily restrictive. In April 1973 the Allende government agreed to grant a 60 percent rise in wages as an advance readjustment. In September an additional 100 percent readjustment was granted for wages less than five times the minimum wage. And the Junta has promised an additional 100 percent readjustment for the end of December. If this promise is kept, money wages will have increased 8.2 times. This is to be compared with the most optimistic estimate of inflation during the same period, i.e., 1,200 percent, and the most pessimistic estimate of 1,600 percent. In the former case, real wages will have been reduced by 30 percent and in the latter case by 48 percent.

To the above-mentioned must be added the drastic increase in layoffs which most probably will reach 12-14 percent by the end of November—tripling previous levels. These layoffs are political in origin, and also affect professional sectors and state employees—for whom this is, for the most part, a new experience.

If these tendencies persist, the percentage of national revenue consisting of wages and salaries would by necessity fall well below 40 percent. This means hunger for substantial sectors of the population and, for children, serious malnutrition.

In the near future and beyond, the return of nationalized industries to private ownership and a progressive denationalization of the Chilean economy are to be expected. (There are already official announcements to this effect.) Foreign debt will increase, and standards for the distribution of income and goods will become more severe. The degree to which productive forces are utilized will remain far below capacity in the case of the labor force as well as of industrial operating facilities. Planning, on both a short- and a long-term basis, will require rigorous intervention by the state in order to create "artificial" markets (to use Kalecki's expression); but for the time being, as

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far as the Junta is concerned, it appears that more orthodox and liberal criteria are being applied. In this respect it is useful to recall some editorial comments made in *El Mercurio,* the newspaper which expresses forthrightly the opinions of the present Minister of Economics. Here is the line of reasoning currently in vogue:

> The causes which have brought the nation to this situation of extreme economic gravity cannot be attributed solely to the Popular Unity regime . . . oppressive state interference did not originate in 1970 . . . the loss of economic freedom began in an accelerated form many decades ago. . . . Chile has not implemented during the past forty years [that is to say, since the Popular Front] objective norms or standards which would permit savings holders, investors, or consumers to make adequate decisions. . . . Chile is a nation which in the past has chosen to reject the market place as a tool to put economic activity in order. Central planning, which opposed this idea, was a monumental failure. (September 30, 1973)

Beginning with such a philosophy, current economic policy has been developed according to textbook solutions based on the supposed advantages of a competitive market system. It is assumed that the restructuring of the price system will lead to a favorable redistribution of resources. In this respect, the belief is held that the "only way that our economy will cast off the enormous weight of concealed unemployment, particularly in the public sector, is by opening the way for the most productive activities to attract bureaucrats who are presently vegetating in nonproductive sectors. . . . A wage and salary policy which would encourage everyone to stay at their present jobs would not represent any sort of improvement." (*El Mercurio,* October 8, 1973) The productive absorption of the displaced sectors is assumed to be easy because "the new price levels for the necessities would also generate a boom in respective investments and the consequent growth of the job market." (*Ibid.*) In other words: "The realistic level which most prices are now reaching, and the atmosphere of greater tranquility in which national productive activities are being developed, should produce a dramatic increase in national production fairly soon." (*El Mercurio,* October 27, 1973)

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Optimistic forecasts of renewed national private investment, if closely analyzed, are mere flights of fantasy. No doubt there will be an increase (especially in the construction of luxury dwellings), but this will be entirely incapable of provoking the "economic takeoff" that some public officials dream about. At least two points should be brought out here: (a) the exaggerated propensity toward overconsumption on the part of the Chilean big bourgeoisie (according to studies, in the 1960s scarcely 10 percent of the profits realized by industrial capitalists was used for fixed-capital investment); (b) traditionally, national private investment in Chile has acted *in response* to unsatisfied demands; that is, it functions as *induced* investment. And, of course, three years of Popular Unity rule could not possibly have transformed the Chilean big bourgeoisie into bold entrepreneurs dressed in Schumpeterian clothing. In Chile, only two forces are capable of setting the economy in motion: the state and foreign capital.

Foreign investment will not be forthcoming in the near future: in any case, it is difficult to see why there should be a massive influx. And since there seems to be no intention to spur state activity,* it is not rash to predict a quite severe realization crisis (shortage of effective demand) in the near future.** In this way, the current latent contradictions within the dominant bloc will be sharpened.

In short, current policy has innate contradictions which will soon be evident. On the one hand, up till now the armed forces have acted in a juridical and unified fashion. But since they don't have even a partially developed political program which would assure them minimum social support, they limit their activities to brutal repression. Ultra-rightist civilian groups,

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* The Christian Democratic newspaper, *La Prensa,* maintains in an editorial that "foreign credit should be the main source—not to say the only one—of the formation of capital at the present time in Chile." (October 24, 1973)

** To cite a random example: In a clothing store "the sales on one day in August amounted to approximately 500,000 escudos. During the week of October 16-23, sales totaled 660,000 escudos. A few months earlier we usually sold 45 jackets a day. Nowadays we rarely sell 10 a day." (*El Mercurio,* October 26, 1973) This is a situation which is becoming increasingly common in all categories.

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sensing this weakness, call for the organizing of "Social Power" (guilds composed of the right-wing and petty bourgeoisie, and industrial associations), patterned after corporative models which are clearly fascist. As *El Mercurio* has stated, "a serious error of many authoritarian regimes has been to ignore social power. Another no less serious error has been to create a pseudo-official machinery which simulates social power, and with which these regimes try to supplant political expression of the people." (October 28, 1973) In other words, the big monopolistic bourgeoisie is demanding a more direct political control and, above all, is calling attention to the social weakness of the new regime, which must politicize and strengthen itself. To accomplish this, a fascist political program has been proposed. It is certain that political definitions more concrete than the present ones will have to be adopted by the armed forces. On the other hand, the proposed political program is in open contradiction to the prevailing orthodox economic liberalism. Under present conditions in Chile, the viability of a coherent fascist political program requires, among other things, strong state participation in economic life. This compels us to conclude that present structures cannot be permanent. Reality itself will assuredly lead to a search by the ruling classes for a fascist program more coherent than the present one. In the meantime, the readjustments made will provoke a great deal of friction and conflict with the "restorative" bloc. Consequently, the present stage should be considered *fluid* from the standpoint of the ruling classes. And as long as a more coherent model does not take shape—which would assume the firm dominance of a given class fraction—the prevailing "unity and harmony" will deteriorate sharply.

Feasibility of the Fascist Program for Chile

The possibilities for instituting a fascist model in Chile are minimal.

Very influential spokesmen, such as O. Saenz (ex-president of the association of large industrial complexes), have stated that the military coup in Chile "has many affinities to the 1964 Brazilian revolution," and that "in many respects the solutions will have to be similar." These assertions are correct. The work-

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ing model toward which Chilean capitalism moves, almost spontaneously, resembles the Brazilian one. Nevertheless, and this is important, the means for consolidating such a model in Chile are extremely limited.

In the first place, we have the congenital weakness of Chilean capitalism, with very unfavorable possibilities for massive internal accumulation. The pace and standards of industrial growth, given the deep-rooted subordination of the Chilean big bourgeoisie to foreign capital, will be determined by the direction taken by foreign investment. And in this sense, the alternatives are quite limited. We must not forget that on a world level the role of Latin America with respect to U.S. capital—hegemonic on the continent—is to make possible the draining off of surpluses for investment in more developed regions such as Europe, Canada, and Japan. Moreover, the most favored countries within Latin America are Brazil, Argentina, and Mexico; they monopolize the bulk of foreign investment which is localized in industrial enterprises. Countries like Chile in fact serve to transfer surpluses for investment in these favored countries. Such is the plan of operation within Latin America.

Given the progressive shrinking of the internal market, possibilities of rapid growth will require a very aggressive policy directed toward external markets. But exploiting them is within the means of the foreign, not the local, bourgeoisie. And investment in Chile is, relatively speaking, not at all attractive. There does remain the alternative of the regional Andean Pact where Chilean industry could come to play a decisive role. However, if the news about the eventual entry of Argentina and/or Brazil into the regional market is confirmed, then the Chilean possibilities would be completely negated.

In the second place, the projected economic and political program has little chance of finding significant support from the middle-class and petty-bourgeois strata. These people already observe with consternation the drastic reduction in their real income (in addition to the fact that the excessively bloody repression has begun to produce a natural repugnance). In the case of the wage-earning petty bourgeoisie, the impact of political and economic readjustment has been extremely severe; signs of

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protest are already evident and may soon become widespread. The independent petty bourgeoisie is in general showing support for the new regime at this point. Moreover, the new price-wage relationship benefits it significantly on a short-term basis. Nonetheless, its situation can suffer reverses in the future. In the first place, we can anticipate very strong credit restrictions; secondly—the deciding factor—its economic means will depend upon the development of the market.

In the case of localized sectors in branches which produce or distribute wage-goods, there will be an extremely weak demand (quite different from that enjoyed during the past three years); clearly there has been a sharp decline. In the case of those sectors linked to the production of durable and intermediate goods, and of capital, as we have seen, the possibilities of a rapid and constant increase are almost nil. Finally, the "competitive" system that the regime is attempting to implement will do nothing but accentuate the high degree of monopoly which characterizes the Chilean economy. With such a system, sectors of the petty and middle bourgeoisie will also be affected.

The new program is also unfavorable from the viewpoint of the proletariat. Although for the time being it is going through a period of disorganization and retreat, its organic capabilities and high level of political consciousness should not be forgotten. Under the new conditions, the opportunity for achieving a broad class front will within a short time be even more favorable than during the last stage of the Allende regime, but here once again the deciding factor will be subjective. The recent experience places demands on the political vanguard. To a great extent the future course of events will depend on its existence and development, as well as on the manner in which this political vanguard assimilates the rich experience of the past few years.

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WORKERS' CONTROL: ITS STRUCTURE UNDER ALLENDE

BY ANDREW ZIMBALIST

The author of the following article spent the past year in Chile working on a survey of 40 randomly selected socialized factories, in collaboration with the Chilean National Labor Organization (now abolished). The article appears here by permission of *Science for the People*, which published an earlier version in November 1973.—The Editors

Some 275 enterprises passed into the socialized sector of Chile's economy during Allende's 34 months as president. These firms were managed by an administrative council, theoretically composed of five worker representatives (three blue-collar, one technical person, and one professional person), five state representatives, and one state appointed administrator. In practice, only a handful of the largest enterprises actually followed this scheme. In the great majority of these "socialized" firms the worker representatives had more than 50 percent of the seats on the administrative council. Where the worker representatives didn't control the council outright, it was the case that several of the state representatives were chosen amongst the workers of the factory in question. Indeed, in many instances the workers themselves chose their administrator.

At the shop-floor level, worker-run production committees were formed. These committees dealt with production issues in their sections. Suggestions and information flowed from the shop floor to the administrative council through the coordinating committee. The latter body was run by the president of the largest union. (Typically, the Chilean firm had two unions, one white-collar and one blue-collar. During Allende's period there was a tendency for these two groups to merge and form a single class-unified union.) The heads of the production committees and the

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worker representatives on the administrative council also attended the meetings of the coordinating committee.

Aside from the task of presiding over the coordinating committee, the union leaders were not allowed to serve as worker representatives on the production committees or on the administrative councils. This decision to separate union and worker management functions was based on a dual proposition. One, so long as the state itself was not completely controlled by the working class, the working class needed to maintain an independent basis for its self-defense and for advancing the class struggle, *viz.,* the union. If the union assumed management functions, then it would cease to lead the workers effectively in the class struggle. Two, the Chilean union, although rarely as co-opted and undemocratic as the U.S. union, has historically concerned itself with economistic demands and has tended to develop a paternalistic and bureaucratic style. Such an organization was clearly not optimal to develop industrial democracy.

The theory behind the separation of union and management powers was sound, but it created contradictions in practice. Specifically, the more bureaucratic unions (those controlled by the Communist Party and many of those controlled by the Christian Democratic Party) opposed the formation of parallel institutions to represent the workers, i.e., the organisms of workers' control at the firm level. In these instances, the participatory apparatus was either not set in motion or failed to develop effectively.

Workers tended to comprehend and participate immediately in union-related issues, e.g., safety, security, wage levels, work rules, etc. Other administrative matters such as hiring, firing, scheduling, and training courses were also quickly grasped and dominated.

Soon after participation blossomed in the above areas, workers would actively make recommendations and decide upon the physical ordering and reorganization of production—job transfers, job rotation or expansion, maintenance of machinery, quality control, provision of raw materials and spare parts, selection and modification of technology, etc. In the past, foremen were discouraged by their employers from accepting suggestions from the workers. This gave the worker a sense of ignorance and impotence regarding his or her work environment. With socializa-

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tion, either the foreman was eliminated or he assumed a different role.

Workers and former foremen generally agreed that the production worker knew more about the machinery than either his or her immediate or remote boss. Participation on this level thus liberated an enormous creative energy. It is not surprising, then, that in 32 of the 40 socialized factories that we surveyed, worker productivity either stayed the same or increased (it increased at a rate of over 6 percent per annum in 14 firms.) This record is all the more impressive given the raw-material shortages and generalized macro-economic problems of the Chilean economy during this period. Without diverting resources from productive uses, socialized factories rapidly expanded social services available to the worker: plant medical facilities, day-care centers, cafeterias and consumer cooperatives, athletics fields, libraries, and so on. In several factories cultural departments were created. These departments sponsored factory folk-song groups and theater troups that visited other factories, singing and acting the story of the expropriation of their factory and their social liberation.

In virtually all the socialized factories, wage differentials were drastically reduced. The ratio of the highest to the lowest wage would typically have been 30 or 40 to 1 beforehand. Now, it varied from 5 to 1 to 11 to 1. This result, along with increased production, constitutes an anomaly to bourgeois economic theory, which maintains that differentiated incentives are necessary to motivate efficient economic performance. To the contrary, the reduced wage disparities in Chile's political context produced less invidious division and more solidarity within the working class. The resulting cooperative spirit motivated the productivity gains.

Matters of financial and economic management—investment financing, production plans, cash flow strategy, pricing policy, etc.—were the most difficult to decentralize. Only in the most advanced factories did the worker representatives knowledgeably and energetically participate in related decision-making. More often, the technical and professional staff were relied on for these matters. In most cases, middle and upper management remained on the job after socialization of the firm and cooperated more or less enthusiastically, depending on their political po-

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sition. Production problems tended to emerge more frequently where the middle and upper management were in opposition to Allende.

Consistent with the above line of argument, we found production to be positively correlated with participation. The extent of participation, in turn, was a function of the system of communication and information flow within the factory, the style and political ideology of middle and upper management, the degree of labor mobilization (for instance, whether the firm was socialized by decree or by a workers' takeover), and the union and political party structure in the enterprise. The most important of these variables, we found, was the level of political consciousness and activity amongst the factory's workers. More specifically, in the factories where the parties of Chile's revolutionary Left predominated or had strong influence, there was more industrial democracy and greater workers' power. It is not surprising that the parties attempting to destroy the bourgeois state and replace it with a democratic and socialist state were the same parties that generated effective systems of workers' power at the factory level.

Variables such as technological intensity (capital-labor ratio), technological complexity (percent of personnel preferentially dedicated to maintenance), technological type (artisan, machine-tending, mounting or assembly, assembly line and continuous process), size of firm, vertical or horizontal differentiation, average educational attainment, were poor predictors of the extent of participation.

The Chilean experience reconfirms the desirability of industrial democracy. Capitalists in the United States are discovering the profitability of "job enrichment" and "team" production. While the latter, at least in the short run, tends to enhance the workers' identification and satisfaction with the job, it should not be confused with industrial democracy. Ultimately, employer-introduced "job enrichment" programs will only co-opt the pressure and undermine the perspectives for true democracy. If, however, issues such as job rotation or expansion, speed rates, and working conditions are raised from below and the "job enrichment" is implanted and directed by the workers, then workers' control begins to be a real alternative.

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THE LAWYER'S TYPIST:
VARIATIONS ON A THEME BY PAUL SAMUELSON

BY CHERYL PAYER

Nora, who was Improving her Mind with a night school course in introductory economics, settled down to do her homework. That week's assignment was the chapter on international trade in the textbook for the course (which the instructor had assured the class was The Very Best, being the seventh edition of Paul Samuelson's *Economics: An Introductory Analysis*).

She found it difficult to follow, and therefore boring, until her attention was suddenly caught by a passage which seemed to make more sense than the rest:

> A traditional example used to illustrate this paradox of comparative advantage is the case of the best lawyer in town who is also the best typist in town. Will he not specialize in law and leave typing to a secretary? How can he afford to give up precious time from the legal field, where his comparative advantage is very great, to perform typing activities in which he is efficient but in which he lacks *comparative* advantage? Or look at it from the secretary's point of view. She is less efficient than he in both activities, but her relative disadvantage compared with him is least in typing. Relatively speaking, she has a comparative advantage in typing.
>
> So with countries. Suppose America produces food with one-third the labor that Europe does, and produces clothing with one-half the labor. Then we shall see that America has a comparative disadvantage in clothing—this, despite the fact that America is absolutely efficient in everything. By the same token, Europe has a comparative advantage in clothing. (Samuelson, p. 647)

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Nora, you see, was in fact a typist, who worked for one of the partners in a law office. It was natural that she should perk up when she discovered that the difficult concept of comparative advantage in international trade was being explained with an example from her own life. Skipping briefly over the second paragraph, she returned to the first one to read it more slowly and carefully, for she felt an instant empathy with the secretary in the parable.

Too much empathy, perhaps. Her first reaction was an uneasy resentment at the idea that her boss might after all be superior to her in the realm of secretarial skills—the only marketable skill she had. It was bad enough, she thought, that he should know enough about the law to be able to command high fees and to pay her to do his office drudgery—but to deny that she had an absolute superiority in doing that kind of work, why, that was insult added to injury! Even though she kept reminding herself that it was just a story, the sense of humiliation lingered.

Nora turned back to study the paragraph again. "Or look at it from the secretary's point of view. She is less efficient than he in both activities. . . ." At this point Nora snorted. Less efficient in law practice! Nonexistent was a better word. How could one compare efficiency when she'd never even been to law school (even if she had picked up some of the techniques and the jargon through rendering assistance to Mr. Woodbore, her boss).

She stopped laughing and began to think about it. Denigrating as the paragraph in the textbook was to her, it had stirred in her mind the first suggestion of the possibility that perhaps she ought to have the same skills which her boss was exercising, in order to make the example a fair test. What if (she choked with amusement at the idea) she turned out to be a more efficient lawyer than he?

That delicious idea brought a further problem to her mind. Just how could efficiency be tested in such occupations? There were typing and dictation tests, of course, which measured your speed in each of those activities. But that, she knew, was only a small part of the skills which a really good secretary was ex-

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pected to have; and, confident as she was that she was a good secretary, intelligent and reliable and discreet, she had no idea of how such qualities could ever be quantified.

And how in the world, if she was a lawyer, could her efficiency in that activity be tested and measured against, say, that of Mr. Woodbore? It just wasn't possible to time the preparation of legal briefs the same way one could clock typing speeds with a stopwatch, deducting errors from the total score.

From her previous lessons in the Samuelson textbook, Nora had learned however that there was supposed to be a direct relationship between *price* and efficiency. Perhaps the efficiency of lawyers could be measured by what they earned? But as she thought about Mr. Woodbore, his partners, and the other lawyers that she knew, she was not really satisfied with this hypothesis. She was not convinced that Mr. Woodbore, who was a senior partner and handled a lot of corporation work, was more efficient (for surely efficiency had something to do with intelligence and hard work) than the young lawyers she knew who preferred to handle draft and civil liberties cases—but he certainly earned a lot more. And as for what she knew about the earnings of *women* lawyers (she had met one or two)—well! she was not prepared to accept that as the measure of her efficiency when (if?) she became a lawyer.

She read the passage in the text again. It certainly did imply that Professor Samuelson was equating efficiency with the lawyers' earnings. The first paragraph, however, really didn't go far enough to give her an idea of what comparative advantage would mean if she were a lawyer too, so she read the second paragraph carefully. Then she got out her paper and pencil and began to figure, muttering out loud as she did so:

"Now Mr. Woodbore earns $120 a day while I earn $30. If I am only one third as efficient as a lawyer and only one half as efficient as a secretary, that means I could earn $40 a day as a lawyer and he could earn $60 as a typist. (That's ridiculous, even an inefficient woman lawyer would earn more than an extremely efficient male typist the way things are set up now, but I don't know how else to figure it.) Well, obviously he'd be worse off to be a secretary—but *I'd* be better off to be a

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lawyer *even* if I was at a relative as well as an absolute disadvantage there!

"But if I have a *relative* advantage as a lawyer, being half as efficient as he is but only one third as efficient as a secretary, then I would be earning $60 as a lawyer while he earns $90 as a secretary (that's even more absurd, no secretary could possibly earn that much—I wonder why not?). I would be better off, but he certainly wouldn't be happy to take the cut in earnings. But Paul Samuelson seems to be saying he ought to! That is, he would have if he'd worked it out as I'm doing.

"But then he can't be correct when he argues that everyone would be better off to do what he or she has a relative advantage doing. Obviously anybody at all would be better off—personally speaking—doing what pays the best (which in this case is practicing law), even if they're not as efficient as somebody else."

But if everybody were a lawyer and nobody did the typing, it would be an impossible situation. For the sake of argument Nora adopted an unselfish point of view and thought about the implications to National Income, rather than to her own salary, of the various combinations she had been playing with. Nora had learned enough economics by now to know that National Income equals the sum of everybody's earnings, so it was a simple exercise.*

She discovered that in the case where it was hypothesized that she had the relative advantage as a lawyer, it made no difference at all to the National Income if Mr. Woodbore worked full time as a lawyer at $120 a day and she as a typist at $30 a day; if he worked full time as a typist at $90 a day and she as a lawyer at $60; or if both worked half a day at each task, in which case his daily earnings would be $105 and hers would be $45. The sum in all three cases would be $150.

When she worked out the sums on the opposite assumption—that her relative advantage was as a typist, not a lawyer—

* Another paradox of national income accounting is the example of the man who marries his housekeeper. Let us say that the man pays his housekeeper $3,000 a year for her services. When he does this, the national income grows by a like amount. But if he and the housekeeper marry, and she is no longer on salary, the national income is diminished by $3,000.

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then the National Income would fall, if she insisted on working as a lawyer, from $150 a day to $100. But Nora was beginning to suspect by this time that this might have more to do with the absolute level of typists' salaries rather than with the inherent virtues of comparative advantages. After all, lawyers really couldn't produce any faster or more efficiently than the secretarial work relating to their work was done. And Nora did not forget that even when the National Income fell by one third, *her* salary would have gone up by one third if she were a lawyer rather than a secretary.

Nora had decided by the end of the exercise that the absolute disadvantage of being a secretary was a lot more important than any relative advantage to be had doing it efficiently. But Mr. Woodbore flatly refused to take a typing test when she showed her calculations to him the next day, and Nora applied to the local law school. She was accepted in the course because, under pressure of the women's movement, the law school had upped its quota of female students from 5 to 15 percent. Since she has not graduated yet, we do not know whether she will find it to her advantage to hire a secretary to do her typing for her when she begins to practice law.

She will be eternally grateful to Professor Samuelson for showing her (albeit probably against his will) where her true interest lies. She has not, however, opened his textbook since that fateful evening and occasionally still wonders whether the truths she discovered apply also to trade between nations.

The masters of all other slaves rely, for maintaining obedience, on fear; either fear of themselves, or religious fears. The masters of women wanted more than simple obedience, and they turned the whole force of education to effect their purpose. All women are brought up from the very earliest years in the belief that their ideal of character is the very opposite to that of men; not self-will and government by self-control, but submission, and yielding to the control of others.

—John Stuart Mill, *On the Subjection of Women*

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BOOKS

ON THE TRANSITION TO SOCIALISM

By Arthur MacEwan

On the Transition to Socialism by Paul M. Sweezy and Charles Bettelheim. Monthly Review Press, 1971, 122 pp. $6.50/£2.90; paperback $1.95/90 p.

Ever since 1917 the U.S. Left has been involved in a love-hate relationship with the existing socialist countries. As a result, the experiences of those countries have been subjected to relatively few analyses that provide us with useful insights and lessons applicable to our own struggle for socialism in the United States. Of course, there have been some notable exceptions, and one of these is the collection of essays entitled *On the Transition to Socialism.*

The book begins with Sweezy's response to the Soviet invasion of Czechoslovakia, in which he not only presents the best succinct analysis of the event that I have seen, but, in addition, raises certain important general questions concerning the nature of socialism. In particular, Sweezy argues that a trend toward capitalism existed in the way *both* the Czech and Soviet economies were moving: "Control of enterprises in the enterprises themselves, coordina-

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tion through the market, and reliance on material incentives—these factors, taken together, make inevitable a strong tendency toward an economic order which, whatever one may choose to call it, functions more and more like capitalism." (p. 4)*

Bettelheim, while agreeing with much of Sweezy's analysis, disputes a rather important general issue. Whereas Sweezy argues that the central factor in the move toward capitalism in the USSR and Eastern Europe is the development of "market socialism," Bettelheim maintains that the more fundamental factor is the failure to establish relations of power that would assure the dominance of the proletariat. The debate which issues from this disagreement constitutes Part I of *On the Transition to Socialism* and touches on a variety of important problems. Part II consists of three essays, authored by Sweezy and the other editors of MONTHLY REVIEW, which complement and extend many of the ideas of the exchange in Part I.

The exchange between Sweezy and Bettelheim is enhanced by the lack of political invective and gratuitous polemics which are so common in debates among Marxist intellectuals. On the contrary, this exchange takes place in a spirit of cooperation, and results in what can be described as a synthesis of the two participants' views on the central issue. The synthesis at which Sweezy and Bettelheim arrive is, essentially, as follows. There exists a contradiction between plan and market, the dominance of the former tending to move society toward socialist relations and the dominance of the latter tending to move society toward capitalist relations. But this plan-market contradiction is not the fundamental contradiction during a period of transition to socialism. Nonetheless, the plan-market contradiction is parallel to, and an expression

* Sweezy then sees the invasion to be not, as the Soviets claimed, an effort to stem this movement toward capitalist relations—for the Soviets themselves were moving in the same manner. Partly, he views the invasion as designed to prevent the institution of political reforms in Czechoslovakia which would, by example on the Soviet border, be a threat to the continued political hegemony of the Soviet bureaucracy in its own country. This point was widely understood at the time. But, in addition, Sweezy argues that the move toward internal capitalism in Czechoslovakia necessarily carried with it, as had been the case in Yugoslavia, a tendency toward closer and closer economic relations with the West. These relations, if allowed to develop, would be outside the control of the Soviet Union and would thus undermine the whole set of economic relations it had long established between itself and the other countries of Eastern Europe.

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of, the more fundamental contradiction which, in Bettelheim's words, "concerns the *domination or non-domination by the producers over the conditions and results of their activity.*" (p. 40) That is, the basic conflict is between proletarian control and ruling-class (or ruling-stratum) control of the society.

One could dispute certain aspects of this synthesis. It seems to me that both Sweezy and Bettelheim have erred in treating plan and market in a simple dichotomous manner. In terms of the relation of plan and market to the question of control, the issue seems somewhat more complex.

The operation of markets, on the one hand, subordinates any democratic control to the dictates of production expansion and leads toward a concentration of power and privilege in the hands of a ruling group. This process is emphasized by both authors. On the other hand, a central plan can replace the market and become an instrument for depriving people of control over their lives. That is, proletarian control can be subordinated to the dictates of the plan, and in Eastern Europe and the USSR at least, those are the dictates of production expansion. The plan requires a central authority which can, and in many cases has, come under the control of a small class or stratum.

But are there ways to assure that a socialist plan is consistent with "domination by the producers over the conditions and results of their activity"? A common answer to this question is the slogan "decentralized socialism." But in the final analysis, decentralized socialism seems to mean market socialism rather than plan socialism, and as such simply leads back into the problems of the market, as witness Yugoslavia.

The way out of this seeming dilemma may be provided by elements of the Chinese and Cuban experiences. In the first place there are some matters which might come under the heading of "technical and administrative issues." For example, a development that has been particularly important in China is the simultaneous consolidation of productive activity and dispersion of power at the higher levels of planning. An illustration is provided in agriculture where the Chinese have attempted to develop large production units, giving the peasants power through their collective activity. Simultaneously, there has been an effort to break down national planning into regionally organized plans, reducing the potential

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for the development of a national elite.*

In this combination of centralization and decentralization of production and planning, the Chinese are effecting an alteration of power relationships. Regardless of technical and administrative arrangements, however, it seems reasonable to assume that a tension will always exist between local and central forces, and the problem of maintaining a successful balance between those forces will continually re-emerge. One of the elements that is important to examine in the balance between local and central forces is the mechanism by which planning takes place.

What I have been told by Cubans (during short visits in 1968, 1969, and 1972) at a variety of levels in the planning process indicates that there is no necessity of central planning proceeding in the top-down manner of the Soviet Union. For example, an economist at the agricultural planning center for Havana Province, speaking of the situation as it existed in 1972, described the Cuban planning process to me as follows:

> Several months before the new plan year, we receive a plan outline from the national center for agricultural planning. We break the plan up according to districts and then send it on down to the district level. There a similar process is followed in passing it on down to the state farms. At the state farms the plan is examined by administrators, discussed in workers' assemblies, and modified accordingly.
>
> The modified plan then goes back up to the district level where the state farm changes are aggregated and a new district plan emerges. Sometimes, the district coordinators will object to a change that has been made at the local level and another round of adjustments will be undertaken. Likewise, when we receive the modified plan from the districts, we may send it back to them for some clarification. Finally, we send a new provincial plan back to the national center. If the new aggregate plan is significantly inconsistent or out of line with the country's needs, we'll get it back again for adjustments. That was the case last year; but after we got the plan back from the center we were able to make a few revisions and get their approval without great difficulty.

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* This process was most clearly exhibited during the Great Leap Forward. Its administrative manifestation was the development of "dual rule" as opposed to "vertical rule"; see Franz Schurmann, *Ideology and Organization in Communist China* (Berkeley and Los Angeles: University of California Press, 1968), pp. 88-89, 188-219. These issues have a long history in the development of Chinese communism; see Mark Selden, *The Yenan Way in Revolutionary China* (Cambridge: Harvard University Press, 1971), pp. 216-224.

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I was given a corroborating description of the process at a state farm: "At the center they have no way of knowing all the conditions here. We have to make adjustments in our investment plans, in our provision of social services, and in our cropping pattern as conditions change. So the plan is discussed in a workers' assembly where modifications are suggested. For example, last year changes in our irrigation system made it desirable to produce more of certain crops and less of others than had been originally called for by the plan." The general situation is formally the same throughout the state sector of the Cuban economy.

What is really at issue, in Cuba or China or anywhere else, however, is not the particular design of planning procedures. The fact of the matter is that a Soviet textbook description of planning in the USSR would probably not sound so different from my informant at the agricultural planning center for Havana Province. Likewise, administrative arrangements similar to those that I cited in China have existed in the Soviet Union. Obviously, the technical and administrative matters, however important, are only a part of the story.

Far more fundamental than the establishment of any particular planning arrangements is the establishment of a social situation that will assure mass control under a variety of particular arrangements. And it is here, I believe, that the experiences of Cuba and China are especially useful in providing some examples of important factors that create such a social situation.

First is the problem of incentives. In a situation such as exists in China or Cuba, production advances depend to a significant extent on the effective functioning of "moral" or "collective" incentives.* For production advances to be achieved, workers must both understand what they are doing and believe their tasks to be important contributions to the general welfare. Higher authorities can afford neither to maintain workers in ignorance nor to abuse their interests, for to do so would result in production losses.

* In most discussions of incentives, the distinction is made between "moral" and "material" incentives. What is usually meant by the former term is working for the general or collective welfare, which usually includes material improvements. On the other hand, the latter more traditional type of incentive need not be material in the strict sense but could include a gain in personal prestige or power. Thus, I find the terms "collective incentives" and "personal incentives" describe more accurately the distinction that is being made in discussions such as this. Furthermore, these terms help bring out the association between incentives and power: collective incentives induce solidarity and workers' power; personal incentives induce individual isolation and political weakness.

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The implications of collective incentives for workers' power are, I believe, beginning to unfold in Cuba. Prior to 1970, there had been extensive efforts to politicize the masses, to make workers aware of the social importance of their work, and to achieve wide dissemination of information about the economy. These efforts were necessary components of a system of collective incentives. Nonetheless, active power of the masses, in terms of participation in policy formation, was quite limited. In the wake of the general economic difficulties that came to the fore in 1970, the Cuban leadership had to choose between retreating from collective incentives or making them more effective. They chose the latter and now seem to be taking steps to involve the masses actively in decision-making on fundamental policy issues.* For my purposes, the point to be emphasized here is the logic behind the recent moves toward increasing the power of the masses: the success of collective incentives requires that people understand and believe in their work, which they can do only if they are making the decisions, i.e., only if they have power.

Equality is another factor which, although usually viewed as a goal of socialist development, is also an instrument for the establishment of democratic control. In a society characterized by widespread equality of income, social status, education and so forth—as is generally the case in both Cuba and China—there is no way to develop an ideology that would rationalize control in the hands of an elite group. In other words, social and material equality are incompatible with inequality of power, and, accordingly, establishment of social and material equality provides a foundation for democratic control.**

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* The "steps" include most importantly the increased emphasis on the mass organizations such as the trade unions and the club-like block Committees for the Defense of the Revolution (CDRs). Trade unions are taking an increasingly active role in the plants, and local officials are being elected rather than appointed from above as had been the case in the past. CDRs, the most mass of the mass organizations, are increasingly taking on neighborhood administrative responsibilities. In each of the mass organizations, preparations are currently under way for national congresses that will discuss and make decisions on basic policy questions. See *Bohemia* for the week of October 12, 1972, for details on the developments in the CDRs. Another noteworthy development is the new practice of circulating draft laws for discussion and emendation in workers' assemblies and CDR meetings. See, for example, the article entitled "Workers to Discuss Draft Law on Maternity Leave," in the English edition of *Granma*, Weekly Review for May 27, 1973.

** One of the many sources that provides descriptions of the general equality that exists in Cuba and its relation to attitudes (ideology) re-

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The educational systems of both China and Cuba illustrate the way in which an emphasis on equality can be used to combat the development of elitist ideology. In both countries a great emphasis is placed on the integration of study and productive work. By these work-study programs (greatly expanded in Cuba during the last few years) students are expected to learn to view themselves as part of the work force and to reject an elitist outlook that would place the highly educated above the masses.

The aspect of ideology that sets forth society's goals is still another factor affecting the nature of power in the transition period. When production is put forth as the overriding goal of social organization, there is a firm basis for the rise of experts, bureaucrats, and administrators, because these people can make an immediate contribution to the dominant goal. But when a revolutionary society stresses from the outset such goals as equality and mass participation, and when socialist development is seen as a *simultaneous* transformation of productive forces and social relations, the special importance of experts *et al* is reduced. Consequently, there is an inhibition on the rise to power of such elite segments.

This argument concerning the relation between ideology and power fits well with the experience of the Cultural Revolution in China. If one looks carefully at the events of 1966-1968 in China, it becomes apparent that greatest attention was focused not on social processes *per se,* but on the outlook or ideology by which social processes were guided. Consistent with this fact was the central role of the educational system—the place where ideology is most directly created and transmitted—in the Cultural Revolution.*

Much of what I have been saying in an attempt to draw some positive lessons from socialist experiences is at least implicit

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garding control and power is "Cuba's Workers, Workers' Cuba, 1969" by Maurice Zeitlin. The essay is the preface to the 1970 edition of his *Revolutionary Politics and the Cuban Working Class* (New York: Harper and Row, 1970). The substance of the book, based on a study carried out in the early 1960s, deals in a more systematic fashion with the early impact of the measures of the Cuban Revolution on workers' ideas about power.

* See William Hinton, *Hundred Day War: The Cultural Revolution at Tsinghua University* (Monthly Review Press, 1972), and Victor Nee and Don Layman, *The Cultural Revolution at Peking University* (Monthly Review Press, 1969). In the latter, the details of the attack on Lu Ping, President of Peking University, are described. It is made clear that the central issue was one of educational policy and not of the personal privileges that Lu may have gathered for himself (although the privileges were also brought out and attacked).

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in *On the Transition to Socialism.** Sweezy and Bettelheim, however, are also concerned with the negative lessons, and the Soviet experience is a constant concern in *On the Transition to Socialism.*

The most direct examination of the Soviet Union in the book is the article by Sweezy and Leo Huberman in Part II entitled "Lessons of Soviet Experience." (The article first appeared as part of a special issue of MONTHLY REVIEW on the occasion of the fiftieth anniversary of the Russian Revolution.) One of the useful points that Sweezy and Huberman develop is the dialectic of "determinism and voluntarism" in a Marxist analysis of history. They point out that "at any given time the range of possibilities is determined by what has gone before (determinism), but within this range genuine choices are possible (voluntarism)." (p. 89) However, the balance between determinism and voluntarism varies, and, in particular, when a

> system's law of motion breaks down wholly or in part, class struggle grows in intensity and crises multiply. Under these circumstances the range of possibilities widens, and groups (especially, in our time, disciplined political parties) and great leaders come into their own as actors on the stage of history. Determinism recedes into the background, and voluntarism seems to take over. (p. 90)

Applying the analysis to Soviet history, they see the period of the 1920s as the relatively voluntarist period in which the conditions for later Soviet life were shaped. Today, the situation in the USSR is relatively determinist with "the Party and its leaders [being] hardly more than cogs in a great machine. . . ." (p. 90)

Having developed this extremely useful framework, Sweezy and Huberman fail, however, to comment on an important question, one that seems to be implicitly raised by the rest of the material in *On the Transition to Socialism.* That is: Why is it that during the struggles of the 1920s over the course of the Soviet economy, the types of positions advocated today by the Cubans and Chinese were not raised as an alternative by any significant

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* It is not surprising that on the issue of equality, for example, Sweezy wrote in a somewhat later article: "It is necessary to proclaim . . . that egalitarianism is the most fundamental principle of a socialist society organized on Marxian lines." And, ". . . egalitarianism must not be interpreted in the purely material sense, i.e., as the mere equalization of incomes." See "On Studying the Transition Process," MONTHLY REVIEW (February 1972), p. 10.

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group?* As long as analysts accept the terms of the industrialization debate as given—i.e., do not attempt to explain why those terms were generally accepted—they have not gone far enough in explaining why the Soviet Union went the way it did.

If Bukharin's position, or the position of the Left, had won out over Stalin, things surely would have been a good deal different. But the general path would have been one of top-down direction of the economy with primary emphasis placed on accumulation, the development of cooperative social relations being relegated to sometime in the future. It still would have been a "Soviet route" rather than a "Chinese or Cuban route."**

In order to uncover the origin of the terms of the industrialization debate, and thereby get to the roots of the Soviet lessons, I believe that we need to extend the period of examination back further than the voluntarist period of the 1920s. Only then can we uncover the material bases of the class conflicts that were to shape Soviet society. Of particular importance, it is in an earlier period that we must look for the basis of the Bolsheviks' alienation from the peasantry. Without firm organizational ties to the great majority of the Soviet people, i.e., the peasantry, the Soviet leaders were constrained from operating in a democratic manner, and whatever strategy they chose had to be a strategy imposed from above. This is not the place to attempt any serious analysis of the relation of the Bolsheviks to the peasantry. Suffice to say that such an analysis would necessarily involve examinations of both (a) the material conditions of the peasantry that seem to have made them so hostile to socialist organizing (as compared to the Chinese peasantry, for example) and (b) the development of Russian Marxism which made the Bolsheviks (and others) rela-

* This is not to say that there was no discussion of such issues as the role of the trade unions, the nature of party organization, and the importance of equality in the Soviet Union during the early years. However, I get the impression that after the very early 1920s, especially with the elimination of the Workers Opposition, these matters faded in importance and in any case were not tied to the central economic discussion of the period, namely, the industrialization debate. Similarly, during the very early years, great stress was placed on equality and honesty within the Bolshevik Party, but I do not find any indication that these principles were interwoven with the central questions of economic policy.

** It is important to keep in mind that much of what happened in the Soviet Union was determined by the nation's isolation in a hostile, imperialist world order. It is at least questionable whether a Chinese route or, especially, a Cuban route would have been possible without a prior Soviet route.

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tively uninterested in the peasantry. (In line with Sweezy and Huberman's terminology, these might be referred to, respectively, as the determinist and voluntarist factors.)

With regard to the discussion in *On the Transition to Socialism,* what bothers me is that there seems to be an implicit assumption throughout, which hinders a thorough historical analysis of the Soviet experience. The authors seem to take it for granted that Lenin and Leninism cannot be seriously criticized (which means, of course, that Lenin and Leninism cannot be seriously analyzed). Such an approach not only inhibits an examination of such fundamental questions as those regarding the Bolsheviks and the peasantry, but also restricts discussion of the highly centralized nature of the Bolshevik Party itself and the effect of that factor on subsequent developments. These issues concerning party organization are especially important when we attempt to draw practical lessons from the Soviet experience, for it seems readily apparent that, so far at least, the U.S. Left has had only abysmal failure in its attempt to solve the "organization question." The debate between Sweezy and Bettelheim does bring the organization question to the fore, but they fail to tie their discussion of the nature of the party in the period of transition to the development of the party in the period of revolutionary struggle. Nonetheless, even in that "failure" they have provided a basis for a more complete treatment of the organization question.

The organization question is the most obvious point on which *On the Transition to Socialism* has, in spite of its highly theoretical tone, an immediate relevance for the U.S. Left. There are of course other relevant lessons to be gained from the book, ranging from the particulars of how to deal with Soviet history to the general questions concerning the analysis of markets, plans, and power. Perhaps the most important lesson of the book, however, is that we can learn from the socialist experiences rather than loving them, hating them, or love-hating them.

The social system that condemns men, women and children to poverty at the same time pronounces upon many of them the sentence of the law that makes them convicts. And this social system in the United States rests on the foundation of private ownership of the social means of common life.

—Eugene V. Debs

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INCENTIVES, MORAL AND MATERIAL

By Ronald Radosh

The Marxism of Che Guevara: Philosophy, Economics, and Revolutionary Warfare by Michael Lowy. Monthly Review Press, 1973, $6.50, 127 pp.

For many on the international Left, particularly the young, Che Guevara has been the major figure symbolizing revolutionary élan, commitment, and dedication to struggle—even at the cost of one's own life. Che's thought, as Michael Lowy notes in this book, "represent[s] for these young people both an uncompromising, absolute and radical rejection of the 'system' and the revolutionary initiative of the vanguard to transform it." It was not accidental, he writes, that Che's conception of communism was combined by the Western New Left with Marcuse's critique, Trotsky's analysis of bureaucracy, and general support for the Chinese Cultural Revolution.

The significance of Michael Lowy's brief but penetrating book is that he takes Che Guevara and his work out of the realm of romance. Lowy treats Che Guevara not as a romantic adventurer but as a serious revolutionary militant, as a Marxist who sought to develop an anti-dogmatic body of Marxist theory that

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would transcend both reformism and Stalinism and return Cuban Marxism "back to the living sources of revolutionary communism." In particular, Che sought to develop a Marxism that related to the human goal of a communist society, Marxism applicable to regimes in transition to socialism, as well as a theory that would be an adequate guide to strategy for revolution in the Third World.

Although Lowy does not say so explicitly, it is clear that he regards Che Guevara, if one may use the Russian analogy, as the Trotsky of the Cuban Revolution. He points in his book, indeed, to the remarkable similarities in the theoretical-political outlook of the two leaders. Lowy treats Che in the context of his opposition to Marxist "scholasticism," i.e., Stalinism, and as a revolutionary thinker who sought to accomplish for Latin America the same type of revolutionary renovation against "the solidified 'Marxism' of the official [i.e., Communist] Left that Lenin carried out with regard to the 'Marxist' social-democracy of the Second International."

Economically, Che rejected for Cuban society "the Soviet model for the building of socialism." To Che, Soviet society was but a "statized imitation of bourgeois consumer society," and he looked askance at Russia as a society in which he saw everyone working merely to earn more money. This, of course, Lowy identifies as the heresy of "criticism *from the Left,*" and it is not surprising to find that while Che was in Moscow, some Soviet students "accused him of 'Trotskyism'." Che's violation of what Lowy calls the "sacrosanct taboo of anti-Trotskyism," in evidence in his declaration that one could learn from the works of Trotsky, was another indication of his desire to grapple fundamentally with the development of a revolutionary Marxism.

In the realm of foreign policy, Che saw the road to attainment of Latin American socialism through the unremitting waging of revolutionary warfare. He rejected the path of collaboration with the national bourgeoisie, and he argued that "only a socialist revolution based on an alliance of the workers and peasants can accomplish the democratic tasks of the Latin American revolution." Rejecting the "Menshevik-type conception held by the traditional left parties in Latin America," Lowy claims that Che applied Trotsky's theory of permanent revolution—differing with Trotsky on the role to be played by the peasantry—and opted for the inevitability of armed struggle. Che showed "ironical skepticism" towards those who believed in the possibility of a peaceful road to socialist revolution, and he denied that any army in Latin America could have "progressive" virtues. Through guerrilla

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warfare, the mask could be torn from the power behind ruling authority; through the "praxis of the revolutionary vanguard," revolutionary will could assert itself against the conservatism of existing conditions.

Che Guevara held to a consistent internationalist strategy of world revolution, a strategy by-passing dependency "on the interests of any state." Lowy cites his call for "one, two, three, many Vietnams" as an example of Che's "return to the sources of Leninism," to the period before the Comintern was "turned into a tool of the foreign policy of the USSR under Stalin." Che's strategy meant for the Third World a "rejection of rotten compromises, opportunist maneuvers, 'peaceful coexistence,'" as well as the avoiding of "subordination to the diplomacy of the vital powers of the socialist club." It meant armed struggle, people's war, and "permanent revolution until socialism is established."

Lowy sees in Che Guevara's rejection of material incentives and his stress on the necessity to build socialism through reliance upon the revolutionary consciousness of the masses an example of the relation "between Che's economic thinking and his revolutionary humanism." Che sought to develop the only economic course, Lowy argues, that would avoid depoliticizing the masses and that would keep the October spirit as a permanent feature of the Cuban Revolution. Only use of moral incentives would establish "the ideological hegemony of communist values"; only they could maintain the "dialectical relation between means and end in the historical process of transition to socialism."

If there is a weakness in Lowy's work, it is his failure to deal with the question of whether this alone is sufficient to ensure socialist democracy. "Neither Che nor his opponents," K. S. Karol pointed out in *Guerillas in Power,* "had come to grips with the problem of political power in, and the political organization of, all those societies where centralized reformist experiments in planning and economic management were taking place." Karol notes that Che failed to discuss the issue of "the direct participation of all the workers . . . in the running of communal affairs." He could have argued, for example, that the trade unions had to be autonomous institutions that expressed and defended the claims of the working class. Yet Che "preferred to take shelter behind two myths, both of them imported from the USSR": that the workers had no other interest "than the acceleration of production in accordance with the overall economic plan"; and that the revolu-

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tionary leaders "know best how to interpret the thoughts and needs of the working class."

Karol's point is simply that the problem of Cuban development went beyond a simple choice "between bad reforms and true socialism," either the market economy of the Soviet bloc or moral incentives. Without any development of workers' control, Cuba would have to move in the direction of technocratic reform or maintain the status quo. In Russia, the course chosen had led to economic stagnation as well as political apathy.

Another problem, pointed to by Bertram Silverman in *Man and Socialism in Cuba,* is that without forward movement in the economy, dependency upon moral incentives might undermine a worker's identification with the revolution and militate against the growth of communist consciousness. In trying to stimulate productivity exclusively through moral incentives, moreover, the government came to depend upon mechanisms of ideological control. The problem was, as Silverman writes, that "a system of incentives that relies on political directives from above becomes just another form of repression . . . the dialectical relationship betwen coercion and the success of the moral incentives must not be obscured."

Lowy is correct, however, when he makes the central point that Che Guevara sought to develop the productive apparatus by socialist methods. He rejected commodity categories and schemes of financial self-management, as well as Soviet models that were based on the operation of the law of value under socialism. Che wrote:

> I am against material incentives because I regard them as incompatible with socialism. . . . The law of value is meaningful in a capitalist society in which the economy is based on profit. It is meaningless in a socialist society. We have no reason . . . to conform to the economic laws of capitalism as if our aim were merely to run the old system more efficiently.

Rejecting the mechanical view that the type of incentives used had to relate to the exact level of development of the productive forces, Che defended the dialectical thesis that "it is through the revolutionary praxis of the masses, by constructing socialism *by socialist methods,* that both the economic structures and the behavior of man can be changed." Mobilizing workers by means of individual material interest, through competition between workers for higher individual wages, was rejected as a "vestige of the

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habits of the former society," as an "ideological leftover from capitalism." Socialism, Che argued, could not "overcome capitalism with its own fetishes"; it could not be built "if the economic basis adopted is one that undermines, distorts, or counteracts the development of collectivist consciousness."

Che admitted the objective necessity of using material incentives during the period of transition. But he stressed that they could not be a primary mechanism and could not be allowed to become an end in themselves. The society had to fight against their use and work to hasten their disappearance. The emphasis was to be on material incentives of a social character. To move toward socialism, Che wrote, one had to strive to "bring about the progressive abolition of material incentives—with all the habits, scale of values, and ideology they imply—and their replacement by 'moral incentives' . . . the social and political consciousness of the masses." Che stated:

> Material incentives will not play a part in the new society being created; they will die out as we advance. We must establish the conditions under which this type of motivation that is operative today will increasingly lose its importance and be replaced by non-material incentives such as the sense of duty and the new revolutionary way of thinking.

The Cuban Revolution is now fifteen years old. But rather than downgrading the importance of material incentives, the leadership of the Cuban Communist Party has moved to expand the use of material incentives on a vast scale. Careful reading of the "Theses of the 13th Congress of the Central Organization of Cuban Trade Unions" reveals an emphasis on productivity, establishment of norms of production, and the introduction of wage differentials linked "to the fulfillment, underfulfillment, or overfulfillment of the norms." In other words, the very mechanism of bourgeois competition between workers which Che rejected has been chosen as the mechanism for increasing productivity. The worker who overfulfills the norm will find that "his salary should be increased accordingly." Trade unions have now been resurrected, and according to the CTC Theses, are to see that the workers' interests "fall in with always producing more and better." Workers' production assemblies are also "aimed at fulfilling and overfulfilling the production plan, and creating the requisite conditions for attaining a higher productivity in work."

Now that Fidel and the Cuban leadership have introduced

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material incentives in all major areas of the economy, they naturally have to deal with Che's vigorous opposition. How they are doing this is perhaps best indicated in the recent widely distributed interview by Carlos Rafael Rodríguez, a key member of the Central Committee and an opponent of Che's in the 1963-1965 debates. Rodríguez writes:

I think that *compañero* Che was the comrade who gave the most attention to this question, and I think that, within the international Left, a total distortion of his views has arisen, either consciously or unconsciously. He has been projected as having a totally negative opinion on the utilization of material stimulus in the building of socialism. A careful and systematic reading of all that Che wrote on the subject . . . would permit anyone to see that Che had a clearly dialectical position on that subject. . . . His fundamental position was that there had to be an adequate combination of material and moral incentives. The ratio of one to the other can only be established through experience. It cannot be predetermined by means of theory. (*Chile Hoy*, August 1972)

Rodríguez's account reveals the extent to which the Cuban leadership is itself engaging in the distortion of Che's views. As for the claim of attention to a "dialectical" position, it seems appropriate to cite Herbert Marcuse's reminder that

theory accompanies the practice at every moment, analyzing the changing situation and formulating its concepts accordingly. The concrete conditions for realizing the truth may vary, but the truth remains the same and theory remains its ultimate guardian. Theory will preserve the truth even if revolutionary practice deviates from its proper path. Practice follows the truth, not vice versa.

Che Guevara's theoretical-political outlook—his attempt to develop Marxism as a method for moving the Third World toward socialism—is adequately summed up in Michel Lowy's book. Like Leon Trotsky's works in the Soviet Union, Che's heritage stands as an indicator of the degree to which the practice in Cuba has strayed from the revolutionary ideas he espoused. Che's theoretical writings, like his entire life, still stand as an exemplar of the necessity to establish "the ideological hegemony of communist values." One hopes that Michael Lowy is correct: that "nothing will ever succeed in extinguishing that light."

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(*Continued from inside front cover*)

October 1971). In a memorial service for Steve held at the University of Wisconsin in Madison on February 7th, his close friend Jim O'Connor spoke of this essay as "a small article, which happens to be my favorite work of his, as it cuts through the dreamy theorems of bourgeois thought with a profundity and simplicity as it is rarely achieved by social theorists. He wrote the article in the form of a book review of a bestseller in years gone by, *Robinson Crusoe,* by Danial Defoe, a book which Steve saw as capitalism and imperialism, both in reality and in theoretical reflection, in microcosm."

We are very sorry to have to report that publication date of Samir Amin's *Accumulation on a World Scale* which is announced for February in the latest MR Press catalogue has had to be postponed. The production process was delayed for reasons beyond our control. The present prospective publication date is April.

We have been asked to announce job openings in a new interdisciplinary program being instituted at Ramapo College, Mahwah, New Jersey (about 50 miles from New York City). Ramapo is a four-year liberal arts state college. This program needs faculty who are capable of doing field work and community research projects with students. The openings are described as follows: (1) *Historian,* with competency in the history of working-class people, Third World people within the United States, social movements, and especially the development of contemporary capitalism. (2) *Economist,* with a background in radical economic theory as well as traditional macro- economics, to teach courses in economic history, political economy, development of capitalism, and general economic theory. (3) *Sociologist,* with a background and major interest in the sociology of power and women, to teach courses in sociology and women's studies. (4) *Labor Studies,* with a practical and theoretical background in union organizing, labor history, and collective bargaining, to teach courses in a developing labor studies program. (5) *Social critic*: A person presently active in the critical analysis of popular culture and mass media and the development of alternative forms of communication, to teach courses in these areas. To qualify a candidate must have a PhD or equivalent experience. Openings are from assistant to full professor depending on degree and experience. Third-World and women candidates are especially encouraged to apply. Résumés and queries should be sent by March 15th (by mail only) to: Marilyn Savoia, Political Economy Ramapo College of New Jersey, P.O. Box 542, Mahwah, N.J. 07430.

Friends of ours in India have formed a Tricontinental Study Circle (c/o Indian Social Institute, 24 Bensons Road, Bangalore 560 046, India) designed to help radicals in that country to overcome what they describe as a virtual blackout imposed by the Indian press on news of revolutionary and national liberation movements in other countries and continents. The Study Circle plans to start a newsletter containing information about these movements, the strategy of imperialists, the uses of various forms of repression, and the like. They ask that they be sent newsletters and publications put out by such movements in other countries, adding that if this is impossible for financial reasons they should be informed since they may be able to send some money through friends abroad.

After running well ahead of last year through January, MR Associates returns (both in terms of members joining and dollars received) took a sudden and untypical downturn in February. This of course may be an accident of timing with no particular significance. On the other hand we can't help worrying that it may be a bad omen for the rest of the Associates' year (i.e., until next September). We would be much relieved if you would reassure us on this.

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